INDEX

KEY: *Sp* = Spring
Su = Summer
A = Autumn
W = Winter

TABLE OF CONTENTS AND INDEX

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CONTENTS OF VOLUME XXXIII

1959

Number 1

Number 2

Number 3

NUMBER 4

BOOK REVIEWS

1

SPRING 1959

IN THIS ISSUE

ARTICLES SUMMARIZED ON BACK COVER

BUSIN

HISTORY R

PUBLISHED BY HARVARD UNIVERSITY GRADUATE SCHOOL OF BUSINESS ADMINISTRATION

BUSINESS HISTORY REVIEW

COVER: Rolling Sheet Iron, Pittsburgh, 1902. Drawn by F. Cresson Schell.

PAGE 1: Among the Coke Furnaces of Pennsylvania, 1886. Drawn by Charles Graham.

PAGE 43: The Boudoir Organ. J. Estey & Co., 1867 catalogue.

PAGE 49: Finishing Factory and Office, Brattleboro. J. Estey & Co., 1867 catalogue.

PAGES 73 and 87: Bedouween Caravan and Reading, courtesy of New York Public Library Picture Collection.

BUSINESS HISTORY REVIEW

CONTENTS

(continued on next page)

PUBLISHED QUARTERLY BY THE HARVARD GRADUATE SCHOOL OF BUSINESS ADMINISTRATION

VOLUME XXXIII, NUMBER 1 SPRING 1959

C O N T E N T S

(*continued*)

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The Beginnings of "Big Business" in American Industry*

The growth of big business in America in the last two decades of the nineteenth century was primarily a response to the rise of urban markets — a result, in turn, of the spreading railroad network. Then, as a new century began to unfold, the dominant influence upon big business development came to be technological. Discernible patterns of integration, combination, diversification, and administration influenced and were influenced by the rise of huge companies and oligopolistic industries. Price competition yielded to other weapons, and the economy adjusted to make room for the young giants in its midst.

by Alfred D. Chandler, Jr.

ASSOCIATE PROFESSOR OF HISTORY
AT MASSACHUSETTS INSTITUTE OF TECHNOLOGY

Criteria for Selection and Analysis

The historian, by the very nature of his task, must be concerned with change. What made for change? Why did it come when it did, and in the way it did? These are characteristically

* This study was supported by the Sloan Research Fund of The School of Industrial Management and the Center for International Studies, Massachusetts Institute of Technology.

historians' questions. For the student of American business history, these basic questions can be put a little more precisely. What in the American past has given businessmen the opportunity or created the need for them to change what they were doing or the way they were doing it? In other words, what stimulated them to develop new products, new markets, new sources of raw materials, new ways of procuring, processing, or marketing the goods they handled? What encouraged them to find new methods of financing, new ways of managing or organizing their businesses? What turned them to altering their relations with their working force, their customers and competitors, and with the larger American public?

The question of what constitutes the dynamic factors in American business history, dynamic in the sense of stimulating change and innovation, can be more clearly defined if the country's land, natural resources, and cultural patterns are taken as given. Land and resources were the raw materials with which the businessmen had to work, and the cultural attitudes and values helped set the legal and ethical rules of the game they had to play. Within this cultural and geographic environment a number of historical developments appear to have stimulated change. These provide a framework around which historical data can be compiled and analyzed.

The following major dynamic forces are visible in the American business economy since 1815: the western expansion of population; the construction and initial operation of the national railroad network; the development of a national and increasingly urban market; the application of two new sources of power: the internal combustion engine and electricity, to industry and transportation; and the systematic application of the natural and physical sciences, particularly chemistry and physics, to industry through the institutionalizing of research and development activities.

The first, the westward expansion, appears to have provided the primary impetus, except possibly in New England, to business innovation in the years from 1815 to about 1850; the building of the railroads appears to have been the major factor from the 1850's to the late 1870's; the growth of the national and urban market from the 1880's until a little after 1900; the coming of electricity and the internal combustion engine from the early 1900's to the 1920's; and, finally, the growth of systematic and institutionalized research and development since the 1920's.

These five factors are essentially aspects of fundamental population changes and technological advances. There were, of course, other factors that encouraged business innovation and change. The

coming of the new machines and mechanical devices may have been a more important stimulant to innovation in New England than the growth of her markets and sources of supply in the expanding South and West. Wars usually precipitated change. The business cycle, flow of capital, government policy and legislation all played a significant part in business innovation. But such political and financial developments appear to have intensified or delayed the more basic changes encouraged initially by fundamental population shifts and technological achievements.

The purpose of making such a list is, however, not to argue that one development was more dynamic than the other. Nor are these five factors to be considered as "causes" for change; nor are they "theses" to be argued as representing reality, nor "theories" to provide an over-all explanation of change or possibly of predicting change. They are, rather, a framework on which historical information can be tied and inter-related. They provide a consistent basis upon which meaningful questions can be asked of the data.

This framework and these questions are, it should be emphasized, concerned only with fundamental changes and innovation in the business economy. They do not deal with the day-to-day activities to which businessmen must devote nearly all of their time. They are not concerned with the continuous adaptation to the constant variations of the market, sources of supply, availability of capital, and technological developments. Nor do they consider why some businesses and businessmen responded quickly and creatively to the basic population and technological changes and others did not. But an understanding of the continuous response and adjustment would seem to require first an awareness of the meaning of the more fundamental or "discontinuous" changes.

Since historical compilation and analysis must be selective, it is impossible to undertake any historical study without some criteria either implicit or explicit for selection. Further study and analysis, by indicating the defects of this approach and framework, will suggest more satisfactory ones. In the process, an analysis and interpretation of change in the American business past should come a little nearer to reality.

The purpose of this article then is, by using the framework of basic, dynamic forces, to look a little more closely at the years that witnessed the beginnings of big business in American industry. What types of changes came during these years in the ways of marketing, purchasing, processing, and in the forms of business organization? Why did these changes come when they did in the way they

did? Was the growth of the national market a major prerequisite for such innovation and change? If not, what then was? How did these innovations relate to the growth of the railroad network or the coming of electricity and the internal combustion engine?

In addition to secondary works on this period, the data used in seeking answers to these questions have been annual and other corporation reports, government documents, articles in periodicals, histories, and biographies concerning the 50 largest industrial companies in the country in 1909. Nearly all these companies, listed in Table I, had their beginnings in the last years of the nineteenth century.

Major Changes in American Industry at the End of the Nineteenth Century

Between the depression of the 1870's and the beginning of the twentieth century, American industry underwent a significant transformation. In the 1870's, the major industries serviced an agrarian economy. Except for a few companies equipping the rapidly expanding railroad network, the leading industrial firms processed agricultural products and provided farmers with food and clothing. These firms tended to be small, and bought their raw materials and sold their finished goods locally. Where they manufactured for a market more than a few miles away from the factory, they bought and sold through commissioned agents who handled the business of several other similar firms.

By the beginning of the twentieth century, many more companies were making producers' goods, to be used in industry rather than on the farm or by the ultimate consumer. Most of the major industries had become dominated by a few large enterprises. These great industrial corporations no longer purchased and sold through agents, but had their own nation-wide buying and marketing organizations. Many, primarily those in the extractive industries, had come to control their own raw materials. In other words, the business economy had become industrial. Major industries were dominated by a few firms that had become great, vertically integrated, centralized enterprises.

In the terms of the economist and sociologist a significant sector of American industry had become bureaucratic, in the sense that business decisions were made within large hierarchical structures. Externally, oligopoly was prevalent, the decision-makers being as much concerned with the actions of the few other large firms in the

industry as with over-all changes in markets, sources of supplies, and technological improvements.

These basic changes came only after the railroads had created a national market. The railroad network, in turn, had grown swiftly primarily because of the near desperate requirements for efficient transportation created by the movement of population westward after 1815.[1] Except for the Atlantic seaboard between Boston and Washington, the construction of the American railroads was stimulated almost wholly by the demand for better transportation to move crops, to bring farmers supplies, and to open up new territories to commercial agriculture.

By greatly expanding the scope of the agrarian economy, the railroads quickened the growth of the older commercial centers, such as New York, Philadelphia, Cincinnati, Cleveland, and St. Louis, and helped create new cities like Chicago, Indianapolis, Atlanta, Kansas City, Dallas, and the Twin Cities. This rapid urban expansion intensified the demand for the products of the older consumer goods industries – particularly those which processed the crops of the farmer and planter into food, stimulants, and clothing.

At the same time, railroad construction developed the first large market in this country for producers' goods. Except for the making of relatively few textile machines, steamboat engines, and ordnance, the iron and nonferrous manufacturers had before 1850 concentrated on providing metals and simple tools for merchants and farmers. Even textile machinery was usually made by the cloth manufacturers themselves. However, by 1860, only a decade after beginning America's first major railroad construction boom, railroad companies had already replaced the blacksmiths as the primary market for iron products, and had become far and away the most important market for the heavy engineering industries. By then, too, the locomotive was competing with the Connecticut brass industry as a major consumer of copper. More than this, the railroads, with their huge capital outlay, their fixed operating costs, the large size of their labor and management force, and the technical complexity of their operations, pioneered in the new ways of oligopolistic competition and large-scale, professionalized, bureaucratized management.

The new nation-wide market created by the construction of the railroad network became an increasingly urban one. From 1850 on, if not before, urban areas were growing more rapidly than rural ones.

[1] The factors stimulating the growth of the American railroad network and the impact of the earlier construction and operation of this network on the American business economy and business institutions is suggested in Chandler, *Henry Varnum Poor – Business Editor*,

much concerned with the actions of the few other large firms in the

In the four decades from 1840 to 1880 the proportion of urban population rose from 11 per cent to 28 per cent of the total population, or about 4 per cent a decade. In the two decades from 1880 to 1900 it grew from 28 per cent to 40 per cent or an increase of 6 per cent a decade. Was this new urban and national market, then, the primary stimulant for business innovation and change, and for the coming of big business to American industry?

Changes in the Consumers' Goods Industries

The industries first to become dominated by great business enterprises were those making consumer goods, the majority of which were processed from products grown on the farm and sold in the urban markets. Consolidation and centralization in the consumers' goods industries were well under way by 1893. The unit that appeared was one which integrated within a single business organization the major economic processes: production or purchasing of raw materials, manufacturing, distribution, and finance.

Such vertically integrated organizations came in two quite different ways. Where the product tended to be somewhat new in kind and especially fitted for the urban market, its makers created their businesses by first building large marketing and then purchasing organizations. This technique appears to have been true of the manufacturers or distributors of fresh meat, cigarettes, high-grade flour, bananas, harvesters, sewing machines, and typewriters. Where the products were established staple items, horizontal combination tended to precede vertical integration. In the sugar, salt, leather, whiskey, glucose, starch, biscuit, kerosene, fertilizer, and rubber industries a large number of small manufacturers first combined into large business units and then created their marketing and buying organizations. For a number of reasons the makers of the newer types of products found the older outlets less satisfactory and felt more of a need for direct marketing than did the manufacturers of the long-established goods.

Integration via the Creation of Marketing Organization

The story of the changes and the possible reasons behind them can be more clearly understood by examining briefly the experience of a few innovating firms. First, consider the experience of companies that grew large through the creation of a nation-wide marketing and distributing organization. Here the story of Gustavus F. Swift and his brother Edwin is a significant one. Gustavus F. Swift, an Easterner, came relatively late to the Chicago meat-packing busi-

and business institutions is suggested in Chandler, *Henry Varnum Poor – Business Editor, Analyst, and Reformer* (Cambridge, 1956), especially chaps. 4, 6–9.

ness. Possibly because he was from Massachusetts, he appreciated the potential market for fresh western meat in the eastern cities.[3] For after the Civil War, Boston, New York, Philadelphia, and other cities were rapidly outrunning their local meat supply. At the same time, great herds of cattle were gathering on the western plains. Swift saw the possibilities of connecting the new market with the new source of supply by the use of the refrigerated railroad car. In 1878, shortly after his first experimental shipment of refrigerated meat, he formed a partnership with his younger brother, Edwin, to market fresh western meat in the eastern cities.

For the next decade, Swift struggled hard to carry out his plans, the essence of which was the creation, during the 1880's, of the nation-wide distributing and marketing organization built around a network of branch houses. Each "house" had its storage plant and its own marketing organization. The latter included outlets in major towns and cities, often managed by Swift's own salaried representatives. In marketing the product, Swift had to break down, through advertising and other means, the prejudices against eating meat killed more than a thousand miles away and many weeks earlier. At the same time he had to combat boycotts of local butchers and the concerted efforts of the National Butchers' Protective Association to prevent the sale of his meat in the urban markets.

To make effective use of the branch house network, the company soon began to market products other than beef. The "full line" soon came to include lamb, mutton, pork, and, some time later, poultry, eggs, and dairy products. The growing distributing organization soon demanded an increase in supply. So between 1888 and 1892, the Swifts set up meat-packing establishments in Kansas City, Omaha, and St. Louis, and, after the depression of the 1890's, three more in St. Joseph, St. Paul, and Ft. Worth. At the same time, the company systematized the buying of its cattle and other products at the stockyards. In the 1890's, too, Swift began a concerted effort to make more profitable use of by-products.

Before the end of the 1890's, then, Swift had effectively fashioned a great, vertically integrated organization. The major departments – marketing, processing, purchasing, and accounting – were all tightly controlled from the central office in Chicago. A report of

[3] Swift's story as outlined in Louis F. Swift in collaboration with Arthur Van Vlissingen, *The Yankee of the Yards – the Biography of Gustavus Franklin Swift* (New York, 1928). The United States Bureau of Corporations, *Report of the Commissioner of Corporations on the Beef Industry, March 3, 1905* (Washington, 1905), is excellent on the internal operations and external activities of the large meat-packing firms. There is additional information in the later three-volume *Report of the Federal Trade Commission on the Meat Packing Industry* (Washington, 1918–1919). R. A. Clemen, *The American Livestock and Meat Industry* (New York, 1923) has some useful background data.

the Commissioner of Corporations published in 1905 makes clear the reason for such control: [3]

> Differences in quality of animals and of their products are so great that the closest supervision of the Central Office is necessary to enforce the exercise of skill and sound judgement on the part of the agents who buy the stock, and the agents who sell the meat. With this object, the branches of the Selling and Accounting Department of those packing companies which have charge of the purchasing, killing, and dressing and selling of fresh meat, are organized in the most extensive and thorough manner. The Central Office is in constant telegraphic correspondence with the distributing houses, with a view to adjusting the supply of meat and the price as nearly as possible to the demand.

As this statement suggests, the other meat packers followed Swift's example. To compete effectively, Armour, Morris, Cudahy, and Schwarzschild & Sulzberger had to build up similar integrated organizations. Those that did not follow the Swift model were destined to remain small local companies. Thus by the middle of the 1890's, the meat-packing industry, with the rapid growth of these great vertically integrated firms had become oligopolistic (the "Big Five" had the major share of the market) and bureaucratic; each of the five had its many departments and several levels of management.

This story has parallels in other industries processing agricultural products. In tobacco, James B. Duke was the first to appreciate the growing market for the cigarette, a new product which was sold almost wholly in the cities.[4] However, after he had applied machinery to the manufacture of cigarettes, production soon outran supply. Duke then concentrated on expanding the market through extensive advertising and the creation of a national and then world-wide selling organization. In 1884, he left Durham, North Carolina, for New York City, where he set up factories, sales, and administrative offices. New York was closer to his major urban markets, and was the more logical place to manage an international advertising campaign than Durham. While he was building his marketing department, Duke was also creating the network of warehouses and buyers in the tobacco-growing areas of the country.

In 1890, he merged his company with five smaller competitors in the cigarette business to form the American Tobacco Company. By 1895 the activities of these firms had been consolidated into the manufacturing, marketing, purchasing, and finance departments of the single operating structure Duke had earlier fashioned. Duke next un-

[3] *Report of Commissioner of Corporations on the Beef Industry*, p. 21.

[4] Some information on James B. Duke and the American Tobacco Company can be found in John W. Jenkins, *James B. Duke, Master Builder* (New York, 1927), chaps. 5–7, 10. More useful was the United States Bureau of Corporations, *Report of the Commissioner of Corporations on the Tobacco Industry* (Washington, 1909).

dertook development of a full line by handling all types of smoking and chewing tobacco. By the end of the century, his company completely dominated the tobacco business. Only two other firms, R. J. Reynolds & Company and P. Lorillard & Company had been able to build up comparable vertically integrated organizations. When they merged with American Tobacco they continued to retain their separate operating organizations. When the 1911 antitrust decree split these and other units off from the American company, the tobacco industry had become, like the meat-packing business, oligopolistic, and its dominant firms bureaucratic.

What Duke and Swift did for their industries, James S. Bell of the Washburn-Crosby Company did during these same years in the making and selling of high-grade flour to the urban bakeries and housewives, and Andrew J. Preston achieved in growing, transporting, and selling another new product for the urban market, the banana.[5] Like Swift and Duke, both these men made their major innovations in marketing, and then went on to create large-scale, departmentalized, vertically integrated structures.

The innovators in new consumer durables followed much the same pattern. Both Cyrus McCormick, pioneer harvester manufacturer, and William Clark, the business brains of the Singer Sewing Machine Company, first sold through commissioned agents. Clark soon discovered that salaried men, working out of branch offices, could more effectively and at less cost display, demonstrate, and service sewing machines than could the agents.[6] Just as important, the branch offices were able to provide the customer with essential credit. McCormick, while retaining the dealer to handle the final sales, came to appreciate the need for a strong selling and distributing organization, with warehouses, servicing facilities, and a large salaried force, to stand behind the dealer.[7] So in the years following the Civil War, both McCormick and Singer Sewing Machine Company concentrated on building up national and then world-wide marketing departments. As they purchased their raw materials from a few industrial companies rather than from a mass of farmers, their purchasing departments were smaller, and required less attention than those in the firms processing farmers' products. But the net result was the creation of a very similar type of organization.

[5] The story of Bell is outlined in James Gray, *Business Without Boundary, the Story of General Mills* (Minneapolis, 1954), and of Preston in Charles M. Wilson, *Empire in Green and Gold* (New York, 1947).

[6] The early Singer Sewing Machine experience is well analyzed in Andrew B. Jack, "The Channels of Distribution for an Innovation: the Sewing Machine Industry in America, 1860–1865," *Explorations in Entrepreneurial History*, Vol. IX (Feb., 1957), pp. 113–141.

[7] William T. Hutchinson, *Cyrus Hall McCormick* (New York, 1935), Vol. II, pp. 704–712.

Integration via Horizontal Combination

In those industries making more standard goods, the creation of marketing organizations usually followed large-scale combinations of a number of small manufacturing firms. For these small firms, the coming of the railroad had in many cases enlarged their markets but simultaneously brought them for the first time into competition with many other companies. Most of these firms appear to have expanded production in order to take advantage of the new markets. As a result, their industries became plagued with overproduction and excess capacity; that is, continued production at full capacity threatened to drop prices below the cost of production. So in the 1880's and early 1890's, many small manufacturers in the leather, sugar, salt, distilling and other corn products, linseed and cotton oil, biscuit, petroleum, fertilizer and rubber boot and glove industries, joined in large horizontal combinations.

In most of these industries, combination was followed by consolidation and vertical integration, and the pattern was comparatively consistent. First, the new combinations concentrated their manufacturing activities in locations more advantageously situated to meet the new growing urban demands. Next they systematized and standardized their manufacturing processes. Then, except in the case of sugar and corn products (glucose and starch), the combinations began to build large distributing and smaller purchasing departments. In so doing, many dropped their initial efforts to buy out competitors or to drive them out of business by price-cutting. Instead they concentrated on the creation of a more efficient flow from the producers of their raw materials to the ultimate consumer, and of the development and maintenance of markets through brand names and advertising. Since the large majority of these combinations began as regional groupings, most industries came to have more than one great firm. Only oil, sugar, and corn products remained long dominated by a single company. By World War I, partly because of the dissolutions under the Sherman Act, these industries had also become oligopolistic, and their leading firms vertically integrated.

Specific illustrations help to make these generalizations more precise. The best-known is the story of the oil industry, but equally illustrative is the experience of the leading distilling, baking, and rubber companies.

The first permanent combination in the whiskey industry came in 1887 when a large number of Midwestern distillers, operating more than 80 small plants, formed the Distillers' and Cattle Feeders'

Trust.[8] Like other trusts, it adopted the more satisfactory legal form of a holding company shortly after New Jersey in 1889 passed the general incorporation law for holding companies. The major efforts of the Distillers Company were, first, to concentrate production in a relatively few plants. By 1895 only 21 were operating. The managers maintained that the large volume per plant permitted by such concentration would mean lower costs, and also that the location of few plants more advantageously in relation to supply and marketing would still reduce expenses further. However, the company kept the price of whiskey up, and since the cost of setting up a distillery was small, it soon had competition from small local plants. The company's answer was to purchase the new competitors and to cut prices. This strategy proved so expensive that the enterprise was unable to survive the depression of the 1890's.

Shortly before going into receivership in 1896, the Distillers Company had begun to think more about marketing. In 1895, it had planned to spend a million dollars to build up a distributing and selling organization in the urban East — the company's largest market. In 1898, through the purchase of the Standard Distilling & Distributing Company and the Spirits Distributing Company, it did acquire a marketing organization based in New York City. In 1903, the marketing and manufacturing units were combined into a single operating organization under the direction of the Distillers Securities Company. At the same time, the company's president announced plans to concentrate on the development of brand names and specialties, particularly through advertising and packaging.[9] By the early years of the twentieth century, then, the Distillers Company had become a vertically integrated, departmentalized, centralized operating organization, competing in the modern manner, more through advertising and product differentiation than price.

The experience of the biscuit industry is even more explicit. The National Biscuit Company came into being in 1898 as a merger of three regional combinations: the New York Biscuit Company formed in 1890, the American Biscuit and Manufacturing Company, and the United States Biscuit Company founded a little later.[10] Its initial

[8] The major sources of information on combination and consolidation in the distilling industry are Jeremiah W. Jenks, "The Development of the Whiskey Trust," *Political Science Quarterly*, Vol. IV (June, 1889), pp. 296–319; J. W. Jenks and W. E. Clark, *The Trust Problem* (rev. ed.; New York, 1917), pp. 141–149. The annual reports of the Distilling and Cattle Feeding Company and its various successors provide some useful additional data, as does the Industrial Commission, *Preliminary Report on Trusts and Industrial Combinations* (Washington, 1900), Vol. I, pp. 74–89, 167–259, 813–848, and Victor S. Clark, *History of Manufactures in the United States* (New York, 1929), Vol. II, pp. 505–506. Changes in taxes on liquors also affected the company's policies in the early 1890's.

[9] *Annual Report of the President of the Distillers Securities Company* for 1903.

[10] The information on National Biscuit comes largely from its annual reports.

objective was to control price and production, but as in the case of the Distillers Company, this strategy proved too expensive. The Annual Report for 1901 suggests why National Biscuit shifted its basic policies: [11]

> This Company is four years old and it may be of interest to shortly review its history. . . . When the Company started, it was an aggregation of plants. It is now an organized business. When we look back over the four years, we find that a radical change has been wrought in our methods of business. In the past, the managers of large merchandising corporations have found it necessary, for success, to control or limit competition. So when this company started, it was thought that we must control competition, and that to do this we must either fight competition or buy it. The first meant a ruinous war of prices, and a great loss of profit; the second, a constantly increasing capitalization. Experience soon proved to us that, instead of bringing success, either of those courses, if persevered in, must bring disaster. This led us to reflect whether it was necessary to control competition. . . . we soon satisfied ourselves that within the Company itself we must look for success.
>
> We turned our attention and bent our energies to improving the internal management of our business, to getting full benefit from purchasing our raw materials in large quantities, to economizing the expenses of manufacture, to systematizing and rendering more effective our selling department; and above all things and before all things to improve the quality of our goods and the condition in which they should reach the customer.
>
> It became the settled policy of this Company to buy out no competition. . . .

In concentrating on distribution, the company first changed its policy from selling in bulk to wholesalers to marketing small packages to retailers. It developed the various "Uneeda Biscuit" brands, which immediately became popular. "The next point," the same Annual Report continued, "was to reach the customer. Thinking we had something that the customer wanted, we had to advise the customer of its existence. We did this by extensive advertising." This new packaging and advertising not only quickly created a profitable business, but also required the building of a sizable marketing organization. Since flour could be quickly and easily purchased in quantity from large milling firms, the purchasing requirements were less complex, and so the company needed a smaller purchasing organization. On the other hand, it spent much energy after 1901 in improving plant layout and manufacturing processes in order to cut production costs and to improve and standardize quality. Throughout the first decade of its history, National Biscuit continued the policy of

[11] *Annual Report of the National Biscuit Company for the Year Ending December, 1901*, January 3, 1902. References to centralizing of manufacturing facilities appear in several early annual reports. As this was written before Theodore Roosevelt had started to make the Sherman Act an effective antitrust instrument and Ida Tarbell and other journalists had begun to make "muck raking" of big business popular and profitable, the Biscuit Company's shift in policy could hardly have been the result of the pressure of public opinion or the threat of government action.

"centralizing" manufacturing operations, particularly in its great New York and Chicago plants.

In the rubber boot, shoe, and glove industries, the story is much the same. Expansion of manufacturing facilities and increasing competition as early as 1874, led to the formation, by several leading firms, of the Associated Rubber Shoe Companies — an organization for setting price and production schedules through its board of directors.[12] This company continued until 1886. Its successor, the Rubber Boot and Shoe Company, which lasted only a year, attempted, besides controlling prices and production, to handle marketing, which had always been done by commissioned agents. After five years of uncontrolled competition, four of the five firms that had organized the selling company again combined, this time with the assistance of a large rubber importer, Charles A. Flint. The resulting United States Rubber Company came, by 1898, to control 75 per cent of the nation's rubber boot, shoe, and glove output.

At first the new company remained a decentralized holding company. Each constituent company retained its corporate identity with much freedom of action, including the purchasing of raw materials and the selling of finished products, which was done, as before, through jobbers. The central office's concern was primarily with controlling price and production schedules. Very soon, however, the company began, in the words of the 1896 Annual Report, a policy of "perfecting consolidation of purchasing, selling, and manufacturing." [13] This was to be accomplished in four ways. First, as the 1895 Annual Report had pointed out, the managers agreed "so far as practicable, to consolidate the purchasing of all supplies of raw materials for the various manufacturies into one single buying agency, believing that the purchase of large quantities of goods can be made at more advantageous figures than the buying of small isolated lots." [14] The second new "general policy" was "to undertake to reduce the number of brands of goods manufactured, and to consolidate the manufacturing of the remaining brands in those factories which have demonstrated superior facilities for production or advantageous labor conditions. This course was for the purpose of utilizing the most efficient instruments of production and closing

[12] The background for the creation of the United States Rubber Company can be found in Nancy P. Norton, "Industrial Pioneer: the Goodyear Metallic Rubber Shoe Company" (Ph.D. thesis, Radcliffe College, 1950), Constance McL. Green, *History of Naugatuck, Connecticut* (New Haven, 1948), pp. 126–131, 193–194, and Clark, *History of Manufactures*, Vol. II, pp. 479–481, Vol. III, pp. 235–237. The company's annual reports provide most of the information on its activities.

[13] *The Fifth Annual Report of the United States Rubber Company, March 31, 1897*, pp. 6–7.

[14] This and the following quotations are from the *Fourth Annual Report of the United States Rubber Company, May 25,1896*, pp. 4–5, 7–8.

those that were inefficient and unprofitable." The third policy was to consolidate sales through the formation of a "Selling Department," which was to handle all goods made by the constituent companies in order to achieve "economy in the distribution expense." Selling was now to be handled by a central office in the New York City headquarters, with branch offices throughout the United States and Europe. Of the three great new departments, actually manufacturing was the slowest to be fully consolidated and centralized. Finally, the treasurer's office at headquarters began to obtain accurate data on profit and loss through the institution of uniform, centralized cost accounting.

Thus United States Rubber, National Biscuit, and the Distillers Securities Company soon came to have organizational structures paralleling those of Swift and American Tobacco. By the first decade of the twentieth century, the leading firms in many consumers' goods industries had become departmentalized and centralized. This was the organizational concomitant to vertical integration. Each major function, manufacturing, sales, purchasing, and finance, became managed by a single and separate department head, usually a vice president, who, assisted by a director or a manager, had full authority and responsibility for the activities of his unit. These departmental chiefs, with the president, coordinated and evaluated the work of the different functional units, and made policy for the company as a whole. In coordinating, appraising, and policy-making, the president and the vice presidents in charge of departments came to rely more and more on the accounting and statistical information, usually provided by the finance department, on costs, output, purchases, and sales.

Changes in the Producers' Goods Industries

Bureaucracy and oligopoly came to the producers' goods industries somewhat later than to those making products for the mass market. Until the depression of the 1890's, most of the combinations and consolidations had been in the consumers' goods industries. After that, the major changes came in those industries selling to other businesses and industrialists. The reason for the time difference seems to be that the city took a little longer to become a major market for producers' goods. Throughout the 1880's, railroad construction and operation continued to take the larger share of the output of steel, copper, power machinery, explosives, and other heavy industries. Then in the 1890's, as railroad construction declined the rapidly growing American cities became the primary market. The

insatiable demand for urban lighting, communication, heat, power, transportation, water, sewerage, and other services directly and indirectly took ever growing quantities of electric lighting apparatus, telephones, copper wire, newsprint, streetcars, coal, and iron, steel, copper, and lead piping, structures and fixtures; while the constantly expanding urban construction created new calls on the power machinery and explosives as well as the metals industries. Carnegie's decision in 1887 to shift the Homestead Works, the nation's largest and most modern steel plant, from rails to structures, symbolized the coming change in the market.[15]

Also the new combinations and consolidations in the consumers' goods industries increased the demand for producers' products in the urban areas. Standard Oil, American Tobacco, Swift and other meat packers, McCormick's Harvesting Machinery and other farm implement firms, American Sugar, Singer Sewing Machine, and many other great consumer goods companies concentrated their production in or near major cities, particularly New York and Chicago.

The changes after 1897 differed from the earlier ones not only in types of industries in which they occurred but also in the way they were promoted and financed. Combinations and vertical integration in the consumer goods industries before 1897 had been almost all engineered and financed by the manufacturers themselves, so the stock control remained in the hands of the industrialists. After 1897, however, outside funds and often outside promoters, who were usually Wall Street financiers, played an increasingly significant role in industrial combination and consolidation. The change reflected a new attitude of investor and financier who controlled capital toward the value of industrial securities.[16] Before the depression of the 1890's investment and speculation had been overwhelmingly in railroad stocks and bonds. The institutionalizing of the American security market in Wall Street had come, in fact, as a response to the needs for financing the first great railroad boom in the 1850's.

The railroads, however, had made a poor showing financially in the middle years of the 1890's when one-third of the nation's trackage went through receivership and financial reorganization. The

[15] Clark, *History of Manufactures*, Vol. II, chap. 19.

[16] The story of the shift from rails to industrials as acceptable investments is told in Thomas R. Navin and Marian V. Sears, "The Rise of the Market for Industrial Securities, 1887-1902," *Business History Review*, Vol. XIX (June, 1955), pp. 105-138. Government securities were, of course, important in the years before 1850 and during and after the Civil War, but in the late 1870's and 1880's as in the 1850's, railroads dominated the American security exchanges. As Navin and Sears point out, some coal and mining firms were traded on the New York Exchange, but the only manufacturing securities, outside of those of the Pullman Company, were some textile stocks traded on the local Boston Exchange. The connections between the railroad expansion and the beginnings of modern Wall Street are described in detail in Chandler, *Poor*, chap. 4.

dividend records of some of the new large industrial corporations, on the other hand, proved unexpectedly satisfactory. Moreover, railroad construction was slowing, and the major financial and administrative reorganizations of the 1890's had pretty well stabilized the industry. So there was less demand for investment bankers and brokers to market new issues of railroad securities.

Industrials were obviously the coming field, and by 1898 there was a rush in Wall Street to get in on this new business. The sudden availability of funds stimulated, and undoubtedly overstimulated, industrial combination. Many of the mergers in the years after 1897 came more from the desire of financiers for promotional profits, and because combination had become the thing to do, and less from the special needs and opportunities in the several industries. Moreover, as the financiers and promoters began to provide funds for mergers and expansion, they began to acquire, for the first time, the same type of control over industrial corporations that they had enjoyed in railroads since the 1850's.

The changes in the producers' goods industries were essentially like those in the consumer goods firms before the depression. Only after 1897 the changes came more rapidly, partly because of Wall Street pressures; and the differences that did develop between the two types of industries reflected the basic differences in the nature of their businesses. Like the companies making consumer goods, those manufacturing items for producers set up nation-wide and often world-wide marketing and distributing organizations, consolidated production into a relatively few large plants and fashioned purchasing departments. Because they had fewer customers, their sales departments tended to be smaller than those in firms selling to the mass market. On the other hand, they were more concerned with obtaining control over the sources of their supply than were most of the consumer goods companies.

Here a distinction can be made between the manufacturers who made semi-finished products from raw materials taken from the ground, and those who made finished goods from semi-finished products. The former, producing a uniform product for a few large industrial customers, developed only small sales departments and concentrated on obtaining control of raw materials, and often of the means of transporting such materials from mine to market. The latter, selling a larger variety of products and ones that often required servicing and financing, had much larger marketing and distributing organizations. These makers of finished goods, except for a brief period around 1900, rarely attempted to control their raw materials

or their semi-finished steel and other metal supplies. They did, however, in the years after 1900, begin to buy or set up plants making parts and components that went into the construction of their finished products.

Except in steel, integration usually followed combination in the producers' goods industries. And for both makers of semi-finished and finished goods, integration became more of a defensive strategy than it was in the consumers' goods industries processing agricultural products. In the latter the manufacturers had an assured supply of raw materials from the output of the nation's millions of farms. In the former, on the other hand, they had to consider the threatening possibility of an outsider obtaining complete control of raw materials or supplies.

Integration and Combination in the Extractive Industries

By the early twentieth century nearly all the companies making semi-finished product goods controlled the mining of their own raw materials. The industries in which they operated can, therefore, be considered as extractive. This was also true of two consumers' goods industries: oil and fertilizer. The experience of these two provides a good introduction to the motives for integration and the role it played in the coming of "big business" in steel, copper, paper, explosives and other businesses producing semi-finished goods.

In both the oil and fertilizer industries, control over raw materials came well after combination and consolidation of groups of small manufacturing firms. The Standard Oil Trust, after its formation in 1882, consolidated its manufacturing activities and then created a domestic marketing organization. Only in the late 1880's, when the new Indiana field began to be developed and the older Pennsylvania ones began to decline, did the Trust consider going into the production of crude oil. Both Allan Nevins in his biography of John D. Rockefeller and the Hidys in their history of Standard Oil agree that the need to be assured of a steady supply of crude oil was the major reason for the move into production.[17] Other reasons, the Hidys indicate, were a fear that the producers might combine and so control supplies, and the desire of the pipeline subsidiaries to keep their facilities operating at full capacity. Although neither Nevins nor the Hidys suggest that the desire to obtain a more efficient flow

[17] Ralph W. Hidy and Muriel E. Hidy, *Pioneering in Big Business, 1882–1911* (New York, 1955), pp. 176–188. Allan Nevins, *Study in Power, John D. Rockefeller, Industrialist and Philanthropist* (New York, 1953), Vol. II, pp. 1–3. Nevins adds that another reason for the move into production was "partly to limit the number of active wells and reduce the overproduction of crude oil," Vol. II, p. 2, but he gives no documentation for this statement.

of oil from the well to the distributor was a motive for this integration, both describe the committees and staff units that were formed at the central office at 26 Broadway to assure more effective coordination between production, refining, and marketing.

What little evidence there is suggests somewhat the same story in the fertilizer industry. Shortly after its organization in the mid-1890's, the Virginia-Carolina Chemical Company, a merger of many small southern fertilizer firms, began, apparently for the same defensive reasons, to purchase phosphate mines. Quickly its major competitor, the American Agricultural Chemical Company, a similar combination of small northeastern companies formed in 1893, responded by making its own purchases of mines. As the latter company explained in a later annual report: "The growth of the business, as well as the fact that available phosphate properties were being fast taken up, indicated that it was the part of wisdom to make additional provision for the future, and accordingly . . . available phosphate properties were purchased, and the necessary plants were erected and equipped, so the company now has in hand a supply of phosphate rock which will satisfy its growing demand for 60 years and upwards."[18] However, neither of these companies appeared to have set up organizational devices to guide the flow of materials from mine to plant to market; nor did the managers of a third large integrated fertilizer company, the International Agricultural Corporation, formed in 1909.

Defensive motives were certainly significant in the changes in the steel industry. Here the story can be most briefly described by focusing on the history of the industry's leader, the Carnegie Steel Company.[19] That company's chairman, Henry C. Frick, had in the early 1890's consolidated and rationalized the several Carnegie manufacturing properties in and about Pittsburgh into an integrated whole. At the same time, he systematized and departmentalized its purchasing, engineering, and marketing activities. The fashioning of a sales department became more necessary since the shift from rails to structures had enlarged the number of the company's customers.

Then in 1896 the Carnegie company made a massive purchase of

[18] *Annual Report of the American Agricultural Chemical Company, August 14, 1907* also the same company's *Annual Report* dated August 25, 1902. In addition to the annual reports of the two companies, Clark, *History of Manufactures*, Vol. III, pp. 289–291, provides information. There is a brief summary of the story of the International Agricultural Corporation in Williams Haynes, *American Chemical Industry – A History* (New York, 1945), Vol. III, p. 173.

[19] The information on the Carnegie Steel Company is taken from Burton J. Hendrick, *The Life of Andrew Carnegie*, 2 vols. (New York, 1932), George Harvey, *Henry Clay Frick, the Man* (New York, 1928), James H. Bridge, *The Inside Story of the Carnegie Steel Company* (New York, 1903.)

ore lands when it joined with Henry W. Oliver to buy out the Rockefeller holdings in the Mesabi Range. As Allan Nevins points out, the depression of the 1890's had worked a rapid transformation in the recently discovered Mesabi region.[20] By 1896, the ore fields had become dominated by three great interests: the Oliver Mining Company, the Minnesota Mining Company, and Rockefeller's Consolidated Iron Mines. A fourth, James J. Hill's Great Northern Railroad, was just entering the field. Frick's purchases, therefore, gave the Carnegie company an assured supply of cheap ore, as well as providing it with a fleet of ore ships. Next, Frick and Carnegie bought and rebuilt a railroad from Lake Erie to Pittsburgh to carry the new supplies to the mills.

Yet the steel company's managers did little to coordinate systematically the mining, shipping, and manufacturing units in their industrial empire. These activities did not become departments controlled from one central office but remained completely separate companies under independent managements, whose contact with one another was through negotiated contracts. This was the same sort of relation that existed between the Frick Coke Company and Carnegie Steel from the time Frick had joined Carnegie in 1889. If the Carnegie company's strategy had been to provide a more effective flow of materials as well as to assure itself of not being caught without a supply of ore and the means to transport it, then Frick and Carnegie would have created some sort of central coordinating office.

The steel industry responded quickly to the Carnegie purchases.[21] In 1898, Chicago's Illinois Steel Company, with capital supplied by J. P. Morgan & Company, joined the Lorain Steel Company (with plants on Lake Erie and in Johnstown, Pennsylvania) to purchase the Minnesota Mining Company, a fleet of ore boats, and railroads in the Mesabi and Chicago areas. Again, little attempt was made to coordinate mining and shipping with manufacturing and marketing. In the same year, many iron and steel firms in Ohio and Pennsylvania merged to form the Republic and National Steel Companies. Shortly thereafter, a similar combination in the Sault Sainte Marie

[20] Nevins, *Rockefeller*, Vol. II, p. 252.

[21] The experience of the other steel firms comes primarily from their annual reports and from prospectuses and other reports in the Corporation Records Division of Baker Library. A company publication, *J & L – The Growth of an American Business* (Pittsburgh, 1953) has some additional information on that company. Also, books listed in footnote 26 on the United States Steel Corporation have something on these companies. Two other steel companies listed in Table I made major changes somewhat before and after the period immediately following 1898. One, the Colorado Fuel & Iron Co., established in 1892, quickly became an integrated steel company in the Colorado area. The Bethlehem Steel Corporation was formed in 1904 when Charles F. Schwab, formerly of the Carnegie company and the United States Steel Corporation, reorganized the finances, corporate structure, and administrative organization of the bankrupt United States Shipbuilding Company.

area became the Consolidated Lake Superior Company. These three new mergers began at once to set up their marketing organizations and to obtain control by lease and purchase of raw materials and transportation facilities. In 1900, several small firms making high-grade steel did much the same thing by the formation of the Crucible Steel Company of America. In these same years, the larger, established steel companies, like Lackawanna, Cambria, and Jones & Laughlin obtained control of more supplies of ore, coke, and limestone and simultaneously reorganized their manufacturing and marketing organizations. Like Carnegie and Federal, they at first made little effort to bring their mining and coke operations under the direct control of the central office.

In copper, defensive motives for integration appear to have been somewhat less significant. In the 1890's, mining, smelting and refining were combined on a large scale. During the 'eighties the railroad had opened up many western mining areas, particularly in Montana and Arizona; a little later the new electrical and telephone businesses greatly increased the demand for copper. Mining firms like Anaconda, Calumet & Hecla, and Phelps Dodge moved into smelting and refining, while the Guggenheims' Philadelphia Smelting & Refining Company began to buy mining properties.[22] In the copper industry, the high cost of ore shipment meant that smelting and – after the introduction of the electrolytic process in the early 1890's – even refining could be done more cheaply close to the mines. Of the large copper firms, only Calumet & Hecla and the Guggenheims set up refineries in the East before 1898, and both made use of direct water transportation.

After 1898, several large mergers occurred in the nonferrous metals industries. Nearly all were initially promoted by eastern financiers. Of these, the most important were Amalgamated Copper, engineered by H. H. Rogers of Standard Oil and Marcus Daly of Anaconda, the American Smelting and Refining Company which the Guggenheims came to control, and United Copper promoted by F. Augustus Heinze. United Copper remained little more than a holding company. Amalgamated set up a subsidiary to operate a large refinery at Perth Amboy and another, the United Metals Selling Company, with headquarters in New York City, to market the products of its mining and processing subsidiaries. The holding company's central offices in New York remained small and apparently did comparative-

[22] Information on the mining companies came from their annual reports and from Isaac F. Marcosson's two books, *Magic Metal – the Story of the American Smelting and Refining Company* (New York, 1949), and *Anaconda* (New York, 1957), also Clark, *History of Manufactures*, Vol. II, pp. 368–369.

ly little to coordinate the activities of its several operating companies. The Guggenheims formed a much tighter organization with direct headquarters control of the company's mining, shipping, smelting and marketing departments. On the whole, there appears to have been somewhat closer coordination between mining and processing in the large copper than in the major steel companies.

Lowering of costs through more effective coordination appears to have been a major motive for consolidation and combination in three other businesses whose raw materials came from the ground: explosives, paper, and coal.[23] The mergers that created the Pittsburgh Coal Company in 1899 and greatly enlarged the Consolidation Coal Company in 1903 were followed by a reorganization and consolidation of mining properties and then by the creation of large marketing departments which operated throughout most of the country. The merger of close to 30 paper companies, forming the International Paper Company in 1899, was followed first by consolidation and reorganization of the manufacturing plants, next by the formation of a national marketing organization with headquarters in New York City, and then by the purchase of large tracts of timber in Maine and Canada. These three activities were departmentalized under vice presidents and controlled from the New York office. In all these cases, the central office was responsible for the flow of materials from mine or forest to the customer or retailer.

The explosive industries underwent a comparable sweeping change in 1902 and 1903. Since the 1870's, price and production schedules had been decided by the industry's Gunpowder Trade Association, and almost from its beginning, that Association had been controlled by one firm, the E. I. DuPont de Nemours & Company. However, the member concerns had retained their own corporate identities and managements. In 1902, the DuPonts bought out a large number of these independent companies through exchanges of stock, and then consolidated them into a single centralized organization. In the process, plants were shut down, others enlarged, and new ones built. A nation-wide selling organization was created, and centralized accounting, purchasing, engineering and traffic departments formed. Once the new organization was com-

[23] The story of the leading explosives, paper, salt and coal companies comes from annual reports and also from Charles E. Beachley, *History of the Consolidation Coal Company 1864–1934* (New York, 1934), George H. Love, *An Exciting Century in Coal* (New York, 1955), the company-written, *The International Paper Company, 1898–1948* (n.p., 1948), William S. Dutton, *DuPont – One Hundred and Forty Years* (New York, 1940), and *U.S. v. E. I. DuPont de Nemours & Company et al. in Circuit Court of the United States for the District of Delaware*, #280 *in Equity (1909), Defendants' Record Testimony*, Vol. I, and for the paper industry, Clark, *History of Manufactures*, Vol. III, pp. 245–252. The American Writing Paper Company, though less successful, had many parallels to International Paper.

pleted, then the company's executives obtained control of their raw materials through the purchase of nitrate mines and deposits in Chile.

Except possibly in paper, the control of price and production does not appear to have been a major motive for the initial combinations in the extractive industries making producers' goods. In steel before 1901, and in nonferrous metals and coal, there were several combinations, but none acquired as much as 20 per cent of the market. Nor is there any evidence that the creators of the different mergers, while they were forming their organizations, were arranging with one another to set over-all price and production schedules. In explosives, control of competition could not have been a significant reason for the 1902 changes since the DuPont company had enjoyed such control since the 1870's. In coal and explosives, and possibly in copper, the major motive for combination, consolidation, and the integration of supply with the manufacturing and marketing processes seems to have been an expectation of lowered costs through the creation of a national distributing organization, the consolidation of manufacturing activities, and the effective coordination of the different industrial processes by one central office. In steel and possibly copper, the desire for an assured supply of raw materials appears to have been more significant in encouraging combination and integration.

Changes and Integration in the Finished Producers' Goods Industries

Control of price and production was, on the other hand, much more of an obvious motive for combination and resulting consolidation in the industries manufacturing finished products or machinery from the semi-finished materials produced by the extractive firms. Concern over supply, however, was also a cause for change, for after 1898 the users of steel, copper, coal, and other semi-finished materials felt threatened by the growing number of combinations among their suppliers. In any case, between 1898 and 1900 there was a wave of mergers in these industries, largely Wall Street financed, which led to the formation of American Tin Plate, American Wire & Steel, American Steel Hoop, National Tube, American Bridge, American Sheet Metal, Shelby Steel Tube, American Can, National Enameling & Stamping Company and a number of other combinations among steel-fabricating firms.[24] At the same time, there were many amalga-

[24] The best brief summary of these mergers and the formation of the United States Steel Corporation is in Eliot Jones, *The Trust Problem in the United States* (New York, 1924), pp. 189–200. The companies' annual reports and prospectuses provide additional material.

mations in the power machinery and implement businesses, such as American Car & Foundry, American Locomotive, Allis-Chalmers, International Steam Pump, and International Harvester. The largest combination among the copper users, the American Brass Company, came a little later, in 1903, after the Guggenheims, Rogers, and Heinze had completed the major copper mergers.

Nearly all these combinations quickly consolidated their constituent companies into a single operating organization. Manufacturing facilities were unified and systematized, over-all accounting procedures instituted, and national and often world-wide distributing organizations formed. Many set up central traffic and purchasing departments; some even began to assure themselves control over supply by building up their own rolling mills and blast furnaces. As American Wire & Steel and National Tube began to make their own steel, they cancelled contracts with Carnegie and other semi-finished steel producers. This development, in turn, led Carnegie to develop plans for fabricating his own finished products.[25]

The resulting threat of overcapacity and price-cutting led to the formation of the United States Steel Corporation.[26] This giant merger, which included Carnegie, Federal and National Steel, and the first six of the fabricating companies listed above, continued on as a combination. Although the activities of the various subsidiaries were re-formed and redefined, there was no consolidation. United States Steel remained a holding company only, and the central office at 72 Broadway did comparatively little to coordinate the operations of its many subsidiary companies.

After 1901, the fabricators and the machinery manufacturers made little attempt to produce their own steel or copper. Nor did the makers of semi-finished products try, for some years to come, to do their own fabricating. Possibly the metal users realized that even with the formation of United States Steel they were fairly certain of alternative sources of supply. Also they may have found that once they had combined they had enough bargaining power to assure themselves of a supply of steel and other materials more cheaply than they could make it themselves.

While such firms no longer sought to control their basic materials, many, particularly the machinery makers like General Electric, Westinghouse, American Car & Foundry, International Harvester

[25] Hendrick, *Carnegie*, Vol. II, pp. 116–119.

[26] The beginnings and the operation of the United States Steel Corporation are outlined in Abraham Berglund, *The United States Steel Corporation: A Study of Growth and Combination in the Iron and Steel Industry* (New York, 1907), Arundel Cotter, *The Authentic History of the United States Steel Corporation* (New York, 1916), Ida M. Tarbell, *The Life of Elbert H. Gary, the Story of Steel* (New York, 1925).

and, a little later, General Motors, began to purchase or set up subsidiaries or departments to make parts and components.[27] Here again the motive was essentially defensive. Since much of their manufacturing had now become mainly assembling, they wanted to be sure to have a supply of parts available at all times. The lack of a vital part could temporarily shut down a plant. However, they expected to take only a portion of the output; a major share was sold to outsiders. One outstanding exception to this pattern was Henry Ford. He came to control his raw materials as well as his parts and components, and rarely sold such parts to outside companies. But Ford's insistence on having a completely integrated organization from mine to market, concentrated largely in one huge plant, proved to be one of the most costly mistakes in American business history.

Control of parts and accessory units led to a diversification of the types of products these manufacturing companies made and sold. Such diversification brought, over time, important changes in business organization. Even more significant for stimulating product diversification was the new "full line" strategy adopted by a number of these recently consolidated concerns. Such a policy, initiated largely to help assure the maximum use of the new departments, encouraged technological as well as organizational change.

Pioneers in developing "full lines" in the producers' goods industries were the two great electrical companies: General Electric and Westinghouse. Unlike almost any other of the leading American industrial companies in 1900, these two had begun as research and development rather than manufacturing organizations. Because of their origins, they had the skilled personnel and the necessary equipment to move, in the mid-1890's, from making lighting equipment alone to manufacturing many lines of electric traction and power machinery products.[28] Allis-Chalmers, International Steam Pump, and American Locomotive began, shortly after their formation and subsequent consolidations, to develop new lines using electric and gasoline engines.[29] International Harvester, building up a number of farm implement lines, also started to experiment with the use of the gasoline engine for machinery on the farm. In this same first decade of the twentieth century, rubber, explosive, and chemical

[27] This generalization is based on the annual reports of the several companies.

[28] As is well described in Harold C. Passer, *The Electrical Manufacturers* (Cambridge, 1953).

[29] The development of new lines by Allis-Chalmers, International Steam Pump, and American Locomotive is mentioned in their annual reports in the first decade of the twentieth century. International Harvester's similar "full line" policies are described in Cyrus McCormick, *The Century of the Reaper* (New York, 1931), chaps. 6–9, and United States Bureau of Corporations, *The International Harvester Co., March 3, 1913* (Washington, 1913), especially pp. 156–158.

companies began to turn to industrial chemistry in their search to develop broader lines of products.

Continuing diversification came, however, largely in industries where science, particularly chemistry and physics, could be most easily applied. And it was in these industries, and in those which were directly affected by the coming of two new sources of power, electricity and the internal combustion engine, that the major innovations in American industry came after 1900. The chemical, automotive, power machinery, rubber, and petroleum industries led the way to the development of new processes and products, new ways of internal organization and new techniques of external competition as the new century unfolded. The metals industries and those processing agricultural goods have, on the other hand, changed relatively little since the beginning of the century. In these industries, the same firms make much the same products, use much the same processes, and compete in much the same manner in the 1950's as they did in the 1900's. For them the greatest period of change came in the last decade of the nineteenth century.

Conclusion: The Basic Innovations

The middle of the first decade of the new century might be said to mark the end of an era. By 1903, the great merger movement was almost over, and by then the metals industries and those processing agricultural products had developed patterns of internal organization and external competition which were to remain. In those years, too, leading chemical, electrical, rubber, power machinery and implement companies had initiated their "full line" policy, and had instituted the earliest formal research and development departments created in this country. In this decade also, electricity was becoming for the first time a significant source of industrial power, and the automobile was just beginning to revolutionize American transportation. From 1903 on, the new generators of power and the new technologies appear to have become the dominant stimuli to innovation in American industry, and such innovations were primarily those which created new products and processes. Changes in organizational methods and marketing techniques were largely responses to technological advances.

This seems much less true of the changes during the 20 to 25 years before 1903. In that period, the basic innovations were more in the creation of new forms of organization and new ways of marketing. The great modern corporation, carrying on the major indus-

trial processes, namely, purchasing, and often production of materials and parts, manufacturing, marketing, and finance – all within the same organizational structure – had its beginnings in that period. Such organizations hardly existed, outside of the railroads, before the 1880's. By 1900 they had become the basic business unit in American industry.

Each of these major processes became managed by a corporate department, and all were coordinated and supervised from a central office. Of the departments, marketing was the most significant. The creation of nation-wide distributing and selling organizations was the initial step in the growth of many large consumer goods companies. Mergers in both the consumer and producer goods industries were almost always followed by the formation of a centralized sales department.

The consolidation of plants under a single manufacturing department usually accompanied or followed the formation of a national marketing organization. The creation of such a manufacturing department normally meant the concentration of production in fewer and larger plants, and such consolidation probably lowered unit costs and increased output per worker. The creation of such a department in turn led to the setting up of central traffic, purchasing, and often engineering organizations. Large-scale buying, more rational routing of raw materials and finished products, more systematic plant lay-out, and plant location in relation to materials and markets probably lowered costs still further. Certainly the creators of these organizations believed that it did. In the extractive and machinery industries integration went one step further. Here the motives for controlling raw materials or parts and components were defensive as well as designed to cut costs through providing a more efficient flow of materials from mine to market.

These great national industrial organizations required a large market to provide the volume necessary to support the increased overhead costs. Also, to be profitable, they needed careful coordination between the different functional departments. This coordination required a steady flow of accurate data on costs, sales, and on all purchasing, manufacturing, and marketing activities. As a result, the comptroller's office became an increasingly important department. In fact, one of the first moves after a combination by merger or purchase was to institute more effective and detailed accounting procedures. Also, the leading entrepreneurs of the period, men like Rockefeller, Carnegie, Swift, Duke, Preston, Clark, and the DuPonts, had to become, as had the railroad executives of an earlier

generation, experts in reading and interpreting business statistics.

Consolidation and departmentalization meant that the leading industrial corporations became operating rather than holding companies, in the sense that the officers and managers of the companies were directly concerned with operating activities. In fact, of the 50 companies with the largest assets in 1909, only United States Steel, Amalgamated Copper, and one or two other copper companies remained purely holding companies. In most others, the central office included the heads of the major functional departments, usually the president, vice presidents, and sometimes a chairman of the board and one or two representatives of financial interests. These men made major policy and administrative decisions and evaluated the performance of the departments and the corporation as a whole. In the extractive industries a few companies, like Standard Oil (N.J.) and some of the metals companies, were partly holding and partly operating companies. At Standard Oil nearly all important decisions were made in the central headquarters, at 26 Broadway, which housed not only the presidents of the subsidiaries but the powerful policy formulating and coordinating committees.[30] But in some of the metals companies, the subsidiaries producing and transporting raw materials retained a large degree of autonomy.

The coming of the large vertically integrated, centralized, functionally departmentalized industrial organization altered the internal and external situations in which and about which business decisions were made. Information about markets, supplies, and operating performance as well as suggestions for action often had to come up through the several levels of the departmental hierarchies, while decisions and suggestions based on this data had to be transmitted down the same ladder for implementation. Executives on each level became increasingly specialists in one function — in sales, production, purchasing, or finance — and most remained in one department and so handled one function only for the major part of their business careers. Only he who climbed to the very top of the departmental ladder had a chance to see his own company as a single operating unit. Where a company's markets, sources of raw materials, and manufacturing processes remained relatively stable, as was true in the metals industries and in those processing agricultural goods, the nature of the business executive's work became increasingly routine and administrative.

When the internal situation had become bureaucratic, the external one tended to be oligopolistic. Vertical integration by one

[30] Hidys, *Pioneering in Big Business*, chap. 3 and pp. 323–388.

manufacturer forced others to follow. Thus, in a very short time, many American industries became dominated by a few large firms, with the smaller ones handling local and more specialized aspects of the business. Occasionally industries like oil, tobacco, and sugar, came to be controlled by one company, but in most cases legal action by the federal government in the years after 1900 turned monopolistic industries into oligopolistic ones.

Costs, rather than interfirm competition, began to determine prices. With better information on costs, supplies, and market conditions, the companies were able to determine price quite accurately on the basis of the desired return on investment. The managers of the different major companies had little to gain by cutting prices below an acceptable profit margin. On the other hand, if one firm set its prices excessively high, the other firms could increase their share of the market by selling at a lower price and still maintain a profit. They would, however, rarely cut to the point where this margin was eliminated. As a result, after 1900, price leadership, price umbrellas, and other evidences of oligopolistic competition became common in many American industries. To increase their share of the market and to improve their profit position, the large corporations therefore concerned themselves less with price and concentrated more on obtaining new customers by advertising, brand names, and product differentiations; on cutting costs through further improvement and integration of the manufacturing, marketing, and buying processes; and on developing more diversified lines of products.

The coming of the large vertically integrated corporation changed more than just the practices of American industrialists and their industries. The effect on the merchant, particularly the wholesaler, and on the financier, especially the investment banker, has been suggested here. The relation between the growth of these great industrial units and the rise of labor unions has often been pointed out. Certainly the regulation of the large corporation became one of the major political issues of these years, and the devices created to carry out such a regulation were significant innovations in American constitutional, legal, and political institutions. But an examination of such effects is beyond the scope of this paper.

Reasons for the Basic Innovations

One question remains to be reviewed. Why did the vertically integrated corporation come when it did, and in the way it did? The creation by nearly all the large firms of nation-wide selling and distributing organizations indicates the importance of the national

market. It was necessary that the market be an increasingly urban one. The city took the largest share of the goods manufactured by the processors of agricultural products. The city, too, with its demands for construction materials, lighting, heating and many other facilities, provided the major market for the metals and other producers' goods industries after railroad construction slowed. Without the rapidly growing urban market there would have been little need and little opportunity for the coming of big business in American industry. And such a market could hardly have existed before the completion of a nation-wide railroad network.

What other reasons might there have been for the swift growth of the great industrial corporation? What about foreign markets? In some industries, particularly oil, the overseas trade may have been an important factor. However, in most businesses the domestic customers took the lion's share of the output, and in nearly all of them the move abroad appears to have come after the creation of the large corporation, and after such corporations had fashioned their domestic marketing organization.

What about the investor looking for profitable investments, and the promoter seeking new promotions? Financiers and promoters certainly had an impact on the changes after 1897, but again they seem primarily to have taken advantage of what had already proved successful. The industrialists themselves, rather than the financiers, initiated most of the major changes in business organization. Availability of capital and cooperation with the financier figured much less prominently in these industrial combinations and consolidations than had been the case with the earlier construction of the railroads and with the financing of the Civil War.

What about technological changes? Actually, except for electricity, the major innovations in the metals industries seem to have come before or after the years under study here. Most of the technological improvements in the agricultural processing industries appear to have been made to meet the demands of the new urban market. The great technological innovations that accompanied the development of electricity, the internal combustion engine, and industrial chemistry did have their beginning in these years, and were, indeed, to have a fundamental impact on the American business economy. Yet this impact was not to be really felt until after 1900.

What about entrepreneurial talent? Certainly the best-known entrepreneurs of this period were those who helped to create the large industrial corporation. If, as Joseph A. Schumpeter suggests, "The defining characteristic [of the entrepreneur and his function]

is simply the doing of new things, and doing things that are already done, in a new way (innovation)," Rockefeller, Carnegie, Frick, Swift, Duke, McCormick, the DuPonts, the Guggenheims, Coffin of General Electric, Preston of United Fruit, and Clark of Singer Sewing Machine were all major innovators of their time.[31]

TABLE I

The Fifty Largest Industrials

(Numbers indicate relative size according to 1909 assets)

Consumers' Goods Companies

Agricultural Processing	*Extractive*	*Manufacturing*
3. Am. Tobacco	2. Standard Oil	4. Int'l. Harvester
8. Armour & Co.	26. Va.-Carolina Chem.	10. U.S. Rubber
9. American Sugar	35. American Agri. Chem.	12. Singer Mfg. Co.
13. Swift & Co.		
30. Nat'l. Biscuit		
33. Distillers' Securities		
50. United Fruit		

Producers' Goods Companies

Agricultural Processing	*Extractive*	*Manufacturing*
6. Central Leather	1. U.S. Steel	7. Pullman
18. Corn Products Co.	5. Amalgamated (Anaconda) Copper	15. Gen. Elec.
21. Am. Woolens	11. Am. Smelting & Refining	16. Am. Car & Foundry
	14. Pittsburgh Coal	19. Am. Can
	17. Colo. Fuel & Iron	22. Westinghouse
	20. Lackawanna	24. DuPont
	23. Consolidation Coal	29. Am. Locomotive
	25. Republic Steel	36. Allis-Chalmers
	27. Int'l. Paper	44. Int. Steam Pump
	28. Bethlehem Steel	46. Western Electric
	31. Cambria Steel	
	33. Associated Oil	
	34. Calumet & Hecla	
	37. Crucible Steel	
	38. Lake Superior Corp.	
	39. U.S. Smelting & Ref.	
	40. United Copper	
	41. National Lead	
	42. Phelps Dodge	
	43. Lehigh Coal	
	45. Jones & Laughlin	
	48. Am. Writing Paper	
	49. Copper Range	

[31] Joseph A. Schumpeter, "The Creative Response in Economic History," *Journal of Economic History*, Vol. VII (May, 1947), p. 151, and also his *Theory of Economic Development*, trans. Redvers Opie (Cambridge, 1934), pp. 74–94.

And their innovations were not in technology, but rather in organization and in marketing. "Doing a new thing," is, to Schumpeter a "creative response" to a new situation, and the situation to which these innovators responded appears to have been the rise of the national urban market.

There must be an emphasis here on the words "seem" and "appear." The framework used is a preliminary one and the data itself, based on readily available printed material rather than on business records are hardly as detailed or accurate as could be desired. More data, more precise and explicit questions, and other types and ranges of questions will modify the generalizations suggested here. For the moment, however, I would like to suggest, if only to encourage the raising of questions and the further compilation and analysis of data, that *the* major innovation in the American economy between the 1880's and the turn of the century was the creation of the great corporations in American industry. This innovation, as I have tried to show, was a response to the growth of a national and increasingly urban market that was created by the building of a national railroad network – the dynamic force in the economy in the quarter century before 1880. After 1900 the newly modified methods of interfirm and intrafirm administration remained relatively unchanged (as did the location of major markets and sources of raw materials) except in those industries directly affected by new sources of power and the systematic application of science to industry. In the twentieth century electricity, the internal combustion engine, and systematic, institutionalized research and development took the place of the national urban market as the dynamic factor in the American industrial economy.[32]

[32] This point has only been considered briefly here, but has been developed at some length in my "Development, Diversification and Decentralization," to be published in a book of essays tentatively titled *The Postwar American Economy* under the sponsorship of the Department of Economics, Massachusetts Institute of Technology.

Boom Stages In American Expansion

In the years from 1880 to 1910 the Pacific Northwest went through a development that appears to have been broadly typical. This boom stage, a non-recurrent frontier phenomenon, is actually the process of integrating the developing area with the national economy. The patterns set in the pliant boom era by forceful "ground floor operators" are likely to harden into long-term permanence.

by Charles M. Gates
PROFESSOR OF HISTORY
AT UNIVERSITY OF WASHINGTON

On a summer's day in 1889 a British tourist named Rudyard Kipling, squired by his American guide, set out from Portland, Oregon, to Puget Sound. "California tucked me under his wing," he explained, "and told me we were going to see a city smitten by a boom and catch trout. So we took a train . . . and crossing into Washington Territory won the town of Tacoma, which stands at the head of Puget Sound upon the road to Alaska and Vancouver."

Tacoma then was "literally staggering under a boom of the boomiest." Rude board pavements rumbled under the heels of crowds of men furiously hunting either drinks or real estate. Business blocks alternated with the

flimsiest of board shanties. Telegraph and light wires tangled on tottering poles. Blackened stumps stood at the very doors of the most pretentious hotels, and the raw new smell of fresh sawdust pervaded the air. "I do not quite remember what her natural resources were supposed to be," remarked the British author, "though every second man shrieked a selection in my ear. They included coal and iron, carrots, potatoes, lumber, shipping, and a crop of thin newspapers telling Portland that her days were numbered."

"Big Boom," said California. "They are all mad here, all mad. About time to step off, I think," meaning that the boom had risen to its limit, and they had best not meddle with it. Soon afterward Kipling boarded a steamer for Victoria, as he said, to "draw breath." [1]

Kipling's impressions of Winnipeg nearly twenty years later were written in a wholly different mood, now sympathetic and expansive. Winnipeg had gone far since an earlier visit he had made to the place. Even so the natives protested, "We've hardly begun to go ahead yet. We're just beginning." There were asphalt streets and concrete sidewalks, show-houses built by rich men to the honor and glory of their city, tree-lined boulevards and pleasant suburbs, hospitals, shops and institutions, banks, warehouses, and railway sidings, a cathedral, schools, and machine shops. It was a lucky city to be lighted and heated by natural gas, and it was conscious always of the countryside around it. Local boosters, "shedding pamphlets with every gesture," pointed to all the quarters of the horizon (fifty miles wherever you turned) and gave them names. "Our business," said one, "is to keep ahead of Providence – to meet her with mixed farming." So the tyranny of wheat and cattle was challenged with fruits and vegetables and sugar beets. Kipling was impressed. "There are a few places still left," he mused, "where men can handle big things with a light touch, and take more for granted in five minutes than an Englishman at home could puzzle out in a year." [2]

The phenomena of the American booms have always excited comment of one sort or another, usually in vigorous language. The speculator was ever-present, as characteristic and as ubiquitous, in Paul Gates' phrase, as the circuit-rider. Sometimes he forced land values 200 or 300 per cent up or down in a single season. The Chicago boom of the 1830's was said to have been more irrational than a gold rush, for there was as yet nothing in Chicago but the hopes men planted there. During the "bust" that followed "the land resounded with the groans of ruined men and the sobs of defrauded

[1] Rudyard Kipling, *From Sea to Sea and Other Sketches* (Mandalay edition, Garden City, New York, 1925), Vol. II, pp. 90–93.
[2] Rudyard Kipling, *Letters of Travel, 1892–1913* (New York, 1920), pp. 201–214.

women." Lady Carbutt, a British visitor, spoke of boom-and-bust as the common disease of western towns, "a kind of distemper to be got over in youth." Lord Bryce caught the mood of the 'eighties with its ceaseless haste and stress, when men darted "hither and thither with swift steps and unquiet mien, driven to and fro by fire in the heart. Time seems too short for what they have to do," he observed, "and the result always to come short of their desire." [3]

But while American booms were easily recognized, they were not so readily understood or interpreted. Even now there are many differing views, with too little common agreement as to what developments produced a boom and what importance should be attached to them. Was a boom a local circumstance, to be observed and recorded as taking place uniquely in Washington or Michigan or Kansas? Or was it only a local manifestation of the upswing of a general business cycle? Was it a youthful distemper which occurred but once, conferring immunity thereafter, or was it a recurring surge of economic vitality which periodically carried a regional economy to successively higher levels? Was a boom a short-lived frenzy, a speculative bubble that lasted only a few years at best, or was it, as Professor Walter Webb has suggested, a long-term secular advance which was sustained by the exploitation of abundant natural resources?

Boom phenomena have been undeniably varied. We shall make no attempt here to reduce them to a single formula or confine them within a single context. Nor should we on the other hand increase the complexity of things by setting up new definitions and applying a boom hypothesis to developments which can be explained well enough without it. It may be profitable, however, to attempt a middle course. The purpose of the present essay is to explore the ramifications of what we may call the boom stage in the development of a regional economy in the American West. The observations to be offered are based upon a case study of the Pacific Northwest, and the illustrations and examples are taken from that study. But it is to be hoped that a consideration of this locality will be helpful and suggestive for the study of other sections as well. The general thesis to be advanced is that new areas, as they were settled in various parts of the American West, typically passed through a transitional period in their progress from frontier beginnings to more advanced post-frontier stages of growth. During this transition, changes of great importance occurred very quickly, growth was

[3] Constance Green, *American Cities in the Growth of the Nation* (London, 1957), p. 102; Robert G. Athearn, *Westward the Briton* (New York, 1953), p. 58; James Bryce, *American Commonwealth* (New York, 1889), Vol. II, p. 688.

extremely rapid, and opportunities for unusual economic gain presented themselves; opportunities which were unlike those existing either earlier or later. Such a "boom stage" of development deserves to be differentiated from the stage of first occupancy which preceded it, and from the more stable regional economy which followed.

The economic analysis of boom stages confronts us, first of all, with problems of quantitative measurement. We must have barometers or indexes of some kind that will enable us to compare the levels of economic activity during significant intervals of time. It will pay us to pore over the reports of the Bureau of the Census and to go as far as we can with calculations that suggest significant comparisons between different states and different decades. Comparative rates of increase will be useful when considering statistical series under such headings as Population, Estimates of Wealth, Value of Farms and of Agricultural Products, Manufacturing Employment, and Values Created by Manufacturing. In Washington, during the decade of the 1880's, for example, the population increased more than fourfold, the Value of Farms nearly fivefold, the Value of Manufactures, twelvefold, and Manufacturing Employment, seventeenfold. The value of agricultural products increased threefold during the 1880's and as much again during the decade 1899–1909. Such figures stand out when compared with the record of other decades. They require a guarded interpretation which takes account of the quantities themselves as well as the percentage increases. A seventeenfold increase in manufacturing employment is no real indication of rapid industrialization when the number of men involved is only 17,000 and when the lumber industry is included under manufacturing. Nevertheless, a comparison of levels and rates of change in the various categories selected by the Census Bureau as significant will reveal the periods of rapid growth, and point to the components in a regional or state economy which should be examined most closely.

Statistics of commercial and banking activity and production figures for significant resource industries may likewise be used as partial indexes, and will be helpful in quantitative studies of the boom stages of development. A sixfold jump in the yield of Washington fisheries from $181,000 to $1,100,000 during the decade of the 1880's, or an increase in the output of Washington sawmills from $1,700,000 to $15,000,000 during that same interval are significant clues to the expansion of key industries during a boom stage in regional growth. On the other hand, the lumber industry offered employment to

33,000 new workers between 1889 and 1909, but expanded by only half that number during the next twenty years. The reasons for the contrasting degrees of advancement in the two eras should be explored.[4]

The Pacific Northwest study indicates a rather clear pattern in which the statistical levels and indexes rise comparatively slowly during the years of early growth, then sharply during the boom stage, then level off again suggesting a kind of equilibrium with other sections of the country thereafter. Growth continued, to be sure, and gains were registered, at times more rapid gains than in other places. But there has been no recurrence of the spectacular changes and gains of the boom stage, and we may doubt that there will be.

Basically the rapid growth of the region during the years 1880–1910 was a matter of economic integration with the rest of the country. The completion of the transcontinental railroads marked the beginning of the boom stage, and railroad transport was a crucial factor in lifting the level of the regional economy very abruptly during the next quarter-century. Population mobility was completely changed as tens of thousands of travelers went West "by the cars" who never would have gone by wagon train or schooner.

Hardly less important was the role of the rail carriers in bringing Northwest commodities to market. In 1907 nearly 8 million tons of freight moved over the Northern Pacific for a total of 1.4 billion ton-miles of traffic within the State of Washington alone. More than two-thirds of this represented interstate service, and perhaps one-third of it lumber shipments that traveled some 1,500 miles to midwestern points. Great Northern shipments were of lesser volume, but the general character of freight service was essentially similar to that of the Northern Pacific. Lime, cement and metal ores, livestock, grain, fresh fruit and canned salmon, all found their way in considerable quantities over long distances, and resource industries were enormously stimulated as these new outlets were reached.

At the same time, the railroads were themselves enterprises which spent large sums of money in the Far West and gave employment to a considerable work force. By 1896 the main sections of the Northern Pacific in Washington State represented an outlay of more than $25 million. Ten years later the railroad paid out in 12 months' time $5.7 million in compensation in Washington State and estimated the replacement cost of its system in that state at $61.6 million.

[4] Figures are drawn from reports of the Census Bureau for 1890 and 1910, also from Carter L. Goodrich *et al.*, *Migration and Economic Opportunity; the Report of the Study of Population Redistribution* (Philadelphia, 1936), p. 275.

The transportation revolution thus brought about heavy capital investments and spurred spectacular gains in population and in the growth of resource industries. The transcontinentals have been a lifeline ever since, but the revolution has long since ended. Once the system was built and the rate structure was stabilized, the transport factor became more constant, subject only to comparatively minor revision. During the boom stage, however, the rails brought about dynamic changes, the importance of which can hardly be exaggerated.[5]

The process of knitting together the Northwest with the rest of the nation involved a whole complex of economic operations which, once achieved, never needed to be done again in the same formative way. Services of supply and distribution were revolutionized along with the system of transport. Wholesale houses established direct and continuous commercial contact with manufacturers and eastern suppliers and materially changed the feel of things for the drummers who invaded the region from vantage points outside. Waterfront facilities were greatly enlarged to meet the needs of an expanded trans-Pacific commerce. This was the critical era when the practical requirements of international trade were gauged and met. The banking system was transformed so that local institutions which had been starved for resources, came to command assets of perhaps $10 million to $12 million each. These large banks served as a channel for the movement of investment capital, provided the means of financing both commerce and construction, and became intermediaries through which reserve funds, as they accumulated in the smaller rural depositories, were transferred to the major financial centers of the country.[6] Management and entrepreneurial patterns were fundamentally altered as out-of-state companies launched or expanded their operations in Washington or Oregon, and local men found themselves associated in various ways with nonresidents who ventured into the Far West in a business way, but who never really became identified with the western community.

The boom stage was a time when "ground floor" opportunities were particularly promising and aggressiveness won many special advantages that had to be established early if they were to be established at all. This was the period when the basic pattern of utilities and improvements took shape. During these years James J. Hill argued persistently and successfully with municipal authorities in

[5] Second and Third Reports of the Washington State Railroad Commission, 1905–1907, pp. 143, 176–191, 292.

[6] *West Coast Trade*, Annual Number, Tacoma, 1892–1913; Seattle Port Commission, Annual Reports, 1912–1915; also reports of the U. S. Comptroller of the Currency and of the Washington State Bank Examiner.

Seattle over the concessions he thought necessary for the Great Northern Railway. Private landowners shrewdly bought up tidelands at low prices, and Stone and Webster, the Boston utility company, established itself in the Far West with favorable franchises in Washington cities and excellent water power sites in the mountains. The "inner business circle" of stores and banks and office buildings, constructed at that time in Seattle, has continued to be the heart of the city from that day to this.

The speculative transactions, maneuvering, and litigation that were characteristic of "ground floor" enterprises will form an important part of the chapters of regional histories that deal with the boom stages. Now and again emerged an individual figure who represented and exemplified the new entrepreneurial patterns. Such a man was Thomas Burke of Seattle.

It has been said in Burke's behalf that "he built Seattle." This, of course, is a great exaggeration, yet we cannot dispute the fact that he and men of similar principles and ambitions had much to do with the way the city was built. His ideology was very simple. Economic development required capital and it was therefore axiomatic to him that capitalists and entrepreneurs should be allowed such inducements as might be necessary to attract them. Burke seems to have had no second thoughts as to whether the ground floor operator might enjoy his advantage later at the expense of the rest of the community. He considered it his business to get what he could for himself or his clients within the provisions of the law, and to modify the law to the advantage of the entrepreneur whenever opportunities arose.

Burke thus became a prime facilitating agent, rendering assistance in many ingenious ways to those who would derive gain from the developments of the boom stage. Did some out-of-state corporation seek escape from the restraints of Washington's residence requirements? Burke helped them set up a suitable, and obedient, local administration. Did railroads wish to bring in their tracks in front of the city along the full length of the waterfront? Burke helped them secure Railroad Avenue which did just about that. Did the establishment of inner and outer harbor lines threaten to curtail the activities of those who held the tidelands? Burke had a hand in obtaining a ruling which dissolved the difficulty by administrative interpretation. As the city grew larger, the situation became too complicated for any one man to watch and guide it, but for ten years or more most of the key developments were mirrored in Burke's correspondence. He was a remarkably articulate spokesman for the select but

important company of men who came to some western frontier on the eve of its boom stage, rode the tide of progress, and made themselves intermediaries between the locality and the larger world of capitalism and investment.[7]

Burke concerned himself primarily with three facets of regional development: railroad construction, the rise of metropolitan centers, and the exploitation of regional resources under conditions of expansion. We have spoken of the first. The other two merit a few words of further comment.

The building up of the resource industries was one of the major developments of the boom stage. In sensing this, Burke was shrewd enough, but unfortunately he was wedded to the wrong resources and the wrong industries. We should not be too critical, however, for nobody knew very much about the iron deposits in the Cascade Mountains, and even experienced steel manufacturers failed to recognize the factors that were to make the Pacific Coast dependent upon Chicago and Pittsburgh for many years to come. Metals were the making of Idaho and Montana, but not of Oregon and Washington. Even so, the boom stage was significant for its many efforts to appraise and utilize such mineral resources as each state possessed. Results might be disappointing but at least, by the end of the middle years, the mining industries knew where they stood.

The lumber industry, agriculture, and the fisheries were more richly endowed, and they all expanded rapidly under conditions of economic integration. Great tracts of magnificent forests, which formerly had very little commercial value, now changed hands quickly, sometimes bringing tenfold profits in a single transaction. Changing patterns of ownership featured both the consolidation of holdings by large companies and speculative scrambles for small tracts on the part of a host of purchasers who never expected to operate a mill. Production jumped up to a peak, and by the end of the period logging and lumbering accounted for some 40 per cent of manufacturing employment in Washington.[8]

During the boom stage, agriculture developed the general pattern of specialization and diversification which has continued with some

[7] Robert C. Nesbit, "Judge Thomas Burke, Satrap to the Empire Builder: a Biography" (unpublished thesis, University of Washington, 1957).

[8] Clyde Williams, "Factors in the Production of Iron and Steel on the Pacific Coast," *Mining and Scientific Press*, Vol. CXXIII (July 16 and 23, 1921); Arthur H. Fischer, *Summary of Mining and Metalliferous Mineral Resources in the State of Washington* (University of Washington, Engineering Experiment Station, Bulletin 4, 1918); U. S. Department of Commerce and Labor, Bureau of Corporations, *Lumber Industry*, 4 vols. (Washington D. C., 1913–1914), Vol. I, pp. 15–26, 65, 100, 109; F. L. Moravets, *Lumber Production in Oregon and Washington, 1869–1948*, Pacific Northwest Forest and Range Experiment Station, Forest Survey Report 100 (Portland, 1949).

modifications to the present. Those who came early to the Palouse country purchased good wheat land from the Northern Pacific for $5.00 to $10.00 per acre, land which in due time made Whitman County one of the richest counties per capita in the nation. Fruit ranchers bought dry lands around Wenatchee at desert prices and developed irrigated apple orchards which became, acre for acre, the most valuable agricultural properties one could own. Cabbage seed and flower bulbs, hops, berries, and dairy products, all proved commercially profitable, if one had the know-how and resourcefulness to grow them and get them to the markets that lay open.[9]

Meanwhile the salmon streams and halibut banks beckoned to fishermen from Norway and New England, California and the Dalmatian coast. The ownership of pounds and traps was bitterly contested, ships from Puget Sound challenged ships from Gloucester, and catch records increased so rapidly that the industry faced problems of depletion and overproduction before the boom stage generally was well advanced.[10]

In all these resource lines there were fortunes to be made not so much from speculation as from skill and good management. The middle years were years of opportunity, but the conditions of success were exacting, for the far westerner must match his wits and his ingenuity against competitors who were experienced and well established. The boom stage gave him his chance, but he must prove his worth. Little in life was free.

So far as urbanization goes, the pattern of urban and metropolitan development in the Pacific Northwest was largely set during the boom stage and deserves therefore to be studied particularly for that period. There have been changes since then, to be sure, changes brought about by automobiles and improved highways, or by such things as the Hanford Atomic Energy plant or the Bremerton Navy Yard. But the boom stage was the formative era, and if we want to know how and why a certain balance of metropolitan centers, secondary cities, and rural areas was established in the region, the period to study is the interval from 1880 to 1910.[11]

[9] Reports of the U. S. Census Bureau for 1890, 1900, and 1910; Paul A. Eke, "Trends in the Agriculture of the Pacific Northwest," *Proceedings of the Ninth Annual Pacific Coast Economic Conference* (Corvallis, 1930); Neil W. Johnson and Rex E. Willard, *Trends in Agriculture in Washington, 1900–1930*, Washington Agricultural Experiment Station, Bulletin 300 (Pullman, Washington, June, 1934).

[10] Homer E. Gregory and Kathleen Barnes, *North Pacific Fisheries, With Special Reference to Alaska Salmon* (New York, 1939); William F. Thompson and Norman L. Freeman, *History of the Pacific Halibut Industry*, International Fisheries Commission, Report 5 (Vancouver, B. C., 1930).

[11] Neil C. Kimmons, "History of the Development of Seattle as a Metropolitan Community" (unpublished thesis, University of Washington, 1942); Dorothy O. Johansen and Charles M. Gates, *Empire of the Columbia; a History of the Pacific Northwest* (New York, 1957), chaps. 27–29.

At the beginning of the boom there was a fairly clear perception of the fact that cities would develop as the region as a whole developed. The specific conditioning and limiting factors were not well understood, however, and there was therefore much guessing and gambling regarding particular places. A basic misconception seems to have concerned the number of large urban centers that would appear. For a time, thanks to the contagious enthusiasm of the boosters, a number of places — Port Townsend, Ellensburg, Centralia, for example — thought of themselves as having potentialities of metropolitan growth which history after fifty years has not yet demonstrated. Metropolitan forecasting was a subject of much interest and controversy, and even now we do not give reasons too confidently when explaining why some communities grew large and others did not.

The evaluation of a number of critical factors leads us back to the early years of the century. What of the establishment of rail and water terminals? Shall we say that the Northern Pacific conferred a lasting advantage on Tacoma, or may we suggest that perhaps the railroad became a kind of Santa Claus whose beneficence was not conducive to the energetic aggressiveness that marked the efforts of other places at first less favored? Shall we attribute Seattle's rapid growth to "the old Seattle spirit," to the wide-open speculative attractions that brought capital to the place during years of heavy construction, or to the imaginative programs of public improvement that cut down the hills, filled the tide flats, and created a comprehensive system of public port facilities? Certain it is that large ventures were accomplished in these new cities because they set their sights high, thinking to measure up to the standards of much older places "like boys in haste to be men."

The urbanization of the boom stage brought about profound social changes and opened up many new possibilities in the pursuit of cultural interests, whether in music, art and architecture, literature or education. These were times of vigorous endeavor and high aspiration. Institutions of learning multiplied and were greatly strengthened. Orchestras were established and art collections were assembled. Fine architectural monuments were erected. Parks and city plans were elaborate and well conceived. Some of the achievements of the middle years were very substantial, and were not to be matched for some years afterward. It is harder to get a large park set aside and developed in Greater Seattle today than it was fifty years ago. Cultural advancement did not cease when the economic tempo slackened again, but certainly the boom stage brought much

new energy, and the incorporation of the local community into the larger world of art and scholarship and letters was as significant as the inclusion of it in the national economy.

In our interpretation of the significance of the boom stages in American expansion, the conclusion of the era of transition will be as important as the beginning of it. Every boom has had its climax and its fade-out. Sometimes the ending has been violent. As often, perhaps, it has been a matter of gradual adjustment devoid of crash or catastrophe. If we eliminate the psychological elements of mania and panic for which the over-zealous boosters and speculators were largely responsible, we can see more clearly the essential character of the movement. The principal accelerator forces of the boom stage were (1) basic changes of transport and accessibility which made possible a rapid economic integration; and (2) a lag in the upward movement of land and resource values which for a time put them out of line with the new conditions. Such a lag made possible, briefly at least, exceptionally high profit margins for those who bought in early enough to realize them. This generalized situation included a great number of variations produced by the specific economics of land use, resource exploitation or urbanization in individual instances, or by considerations of time and lag. As values edged higher, the margin of advantage in the boom section as compared with other sections narrowed and perhaps disappeared. As resources were exploited, they were weakened and depleted. Shrinking profits and declining yields progressively diminished the attractiveness of the area either for investment or population migration. When newness and favorable value no longer produced development at rates higher than the national average, we may say the boom stage was ended.

From such an analysis it will be evident that in this interpretation the boom stage of development in a particular locality was a nonrecurring transition. It was not, however, simply a youthful malady. On the contrary, it was a period of formative change that is deserving of special study for the Pacific Northwest and, I suspect, for other regions as well. It would be of some interest to see what elements are common to a number of western regional economies, and what other elements are unique or rare. Perhaps when the Trempealeau County studies are finished, it will also be possible to establish testing procedures and hypotheses for the interpretation of these eras of change when so much happened so quickly.[12]

[12] The reference is to Merle Curti's detailed analysis of Trempealeau County, Wisconsin, the development of which leveled off without involving it directly in the boom-stage changes outlined above.

tempo slackened again, but certainly the boom stage brought much

The Perfect Melodeon: The Origins of the Estey Organ Company, 1846-1866*

The founding of the Estey Organ Company is a case study in the precarious cut-and-try method by which, in the nineteenth century, most American firms were created. Fleeting partnerships reflected the continuous search for and exhaustion of numerous small reservoirs of capital. Survival and growth were tied to increasing entrepreneurial specialization, broadening markets, and immunity to developing geographic handicaps.

by Milton J. Nadworny

ASSOCIATE PROFESSOR OF COMMERCE AND ECONOMICS AT UNIVERSITY OF VERMONT

For generations, the name of Estey was, and perhaps in some places still is, literally a household word. Estey reed organs were found in homes and churches in the Americas, Europe, and even Asia and Africa. Near the

* The author was aided in this research by a grant from the Estey Organ Corporation, a summer research grant from the University of Vermont, and by Messrs. Daniel C. DeWolfe and Robert A. Kuchar.

end of the last century, the Estey Organ Company was reputed to be the largest manufacturing establishment of its kind – an achievement which took forty years or more to accomplish. The origins and development of the firm illustrate some aspects of entrepreneurship and economic aggressiveness which proved to be successful a hundred years ago. The Estey history also reflects the development of a mass market for a consumer good which was sensitive to the public's interest (or lack of it) in music and musical instruments and in addition was influenced by religious activity, especially that typified by the revivalists, Moody and Sankey.

To be sure, the musical instrument most people think of as "the organ" is the pipe organ, which has had a long and illustrious history and is most strikingly associated with the names Bach and Schweitzer. The Estey Organ Company originally made its reputation and income with a different kind of musical instrument – the reed organ, which generated its music through the vibrations of a reed (usually metallic) caused by the passage of air. Unlike the pipe organ, but like the piano, it could be fabricated and assembled in a shop, and its dimensions could be closely tailored to small homes and modest churches. Indeed, the close relationship between manufacture and market is underlined by the fact that a great many of the early "melodeons" were portable, resembled an accordion, and were held on the lap to be played while the elbow supplied the pressure for pumping air. They were also inexpensive. These instruments had the advantage of meeting the specific requirements of customers who were mobile or simply cramped for space.

The reed organ was first developed in Europe, and after its transplantation to the United States it underwent some structural changes. The European organ worked on air pressure into and through the reeds; the "American organ" developed by Jeremiah Carhart in the 1830's sucked air out through exhaust pressure. Throughout the nineteenth century, a variety of instruments were manufactured in this class and were called melodeons, cabinet organs, harmoniums, aeolians, seraphines, and other designations.[1] There were structural differences among them, of course, and manufacturers most often tried to offer a varied product line.

Reed organ manufacture had its most active and prosperous period in the United States between 1860 and 1900.[2] Although the census

[1] *Encyclopaedia Britannica*, Vol. 11 (Chicago, 1958), p. 202; *Encyclopaedia Americana*, Vol. 18 (New York, 1957), pp. 606–607; Waldo Selden Pratt, ed., *The New Encyclopedia of Music and Musicians* (New York, 1924), p. 123.

[2] The musical instrument manufacturing industry was a product of the nineteenth century. In 1810, Massachusetts was the only state that provided data on the industry, which was concentrated in Boston. By 1840, the total value of all instruments manu-

figures for this industry leave something to be desired, they do illustrate the over-all trends in economic development. In 1850, data were listed for all musical instruments, with no breakdown of the various kinds made; in 1860, "melodeons and harmoneons," as well as "organs" were reported. The census of 1870 listed "melodeons, house organs, and materials" and "organs and materials," but in contradictory tables, while censuses of 1880, 1890, and 1900 finally settled on "organs and materials" manufacture, but dropped the figures, previously reported, relating to the volume of production. Table I includes the pertinent data contained in the census reports relating to melodeon and organ manufacture.[3]

TABLE I

	No. of Estabs.	Capital	Production	Av. No. Wage Earners	Value of Product
1860					
Melodeons & Harmoneons	40	$ 418,400	12,643	451	$ 646,975
Organs	20	184,600	245	265	324,750
1870					
Melodeons, House Organs, Organs, and Materials	98	2,183,850	32,819	1,967	3,556,850
1880					
Organs and Materials	171	3,922,338	–	4,202	6,136,472
1890					
Organs and Materials	145	9,890,288	–	4,608	9,213,188
1900					
Organs and Materials	129	5,011,987	–	3,435	5,691,504

It is interesting to note in connection with census data for this industry that the State of Vermont ranked second or third among the states in value of product during almost the whole of this period. After 1860, this standing was due to the fact that the Estey Organ Company was (and, indeed, still is) located in Brattleboro, in the southeast corner of the state. For example, the firm of Estey & Green accounted for 6.8 per cent of the value of all "melodeons and harmoneons" produced in the United States in 1859–1860; in 1870, J. Estey & Company accounted for 12.0 per cent of the value of all

factured was less than $1,000,000, and employment in this industry was a little less than 1,000. *Manufactures of the United States in 1860*, Eighth Census (Washington, D. C., 1865), pp. cxlvi–cxlvii.

[3] *Manufactures of the United States in 1860*, p. cliii; *Ninth Census of the United States, 1870* (Washington, D. C., 1872), Vol. III, pp. 396, 616; *Twelfth Census of the United States, 1900* (Washington, D. C., 1902), Vol. VII, Part I, p. 11.

"house organs" produced, and in 1880, 11.0 per cent of the value of all organs and materials.[4] Considering the fact that the number of Estey's competitors increased from 39 to 170, the growth of the firm represented a significant accomplishment.

The origin and development of the Estey Organ Company has, in the past, been described in a number of different ways, sometimes contradictory and often mythical. The myths were largely generated by the owners of the firm, perhaps because they made for better advertising than did reality. The Estey Organ Company has always claimed 1846 as its date of origin, although no one by the name of Estey was publicly listed as an owner until 1853. There is, however, a direct line of descent from the original firm to the Estey company, and while there is universal concurrence among the chroniclers of Vermont, Brattleboro, and the Estey Organ Company that 1846 marked the beginning of melodeon manufacturing in Brattleboro, a variety of descriptions have been written describing how Jacob Estey got into this particular business. One book on Vermont, published in 1890, related that "the inception of the business goes back to 1846, when it was founded upon a most insignificant scale by Mr. Jacob Estey."[5] More popular is the story that Jacob Estey "bought out" the existing firm in 1852 for $2,700.[6] Apparently, this was the story authorized by Jacob Estey, but some interesting embellishments were added in other reports. At one time, the Estey company mentioned in one of its catalogues that Jacob Estey was able to buy out the "originators" of the enterprise because they had simply "lost heart" in the business, and "it fell bodily into Mr. Estey's hands."[7] While this made a good story, it was not quite romantic enough, and therefore a more popular description asserted that the reason for the anxiety of the originators to find a purchaser was the influence of the California gold rush.[8] It seems probable that if these "originators" were actually seeking gold ore, they were either panning for it in the Connecticut River or digging up the southern section of the Green Mountains, for contemporary newspapers clearly establish their continued presence in Brattleboro. What actually

[4] *Manufactures . . . 1860*, p. cliii; *Ninth Census*, Vol. 3, p. 616; *Twelfth Census*, Vol. VII, Part I, p. 11; Manuscript Census of Vermont, Windham County, 1860, 1870, 1880, Vermont State Library, Montpelier.

[5] J. P. McKinney and I. J. Isaacs, comps., *Industrial Advantages of the State of Vermont* (Rochester, New York, 1890), p. 67.

[6] Walter H. Crockett, *Vermont: Its Resources and Opportunities* (Rutland, Vermont, 1916), p. 73; Henry Burnham, *Brattleboro* (Brattleboro, Vermont, 1880), p. 144; *The National Cyclopedia of American Biography*, Vol. I (New York, 1891), p. 215.

[7] J. Estey and Company, *The Estey Cottage Organs* (New York, 1876). This was an illustrated catalogue which Estey distributed to its dealers.

[8] Walter H. Crockett, *Vermont, The Green Mountain State*, Vol. V (New York, 1923), p. 396; Mary R. Cabot, comp., *Annals of Brattleboro*, Vol. II (Brattleboro, 1922), p. 632. See also, *Dictionary of American Biography*, Vol. VI (New York, 1931), p. 189.

did take place in the operation of the melodeon business in this community was a continual reorganization and shuffling of ownership, probably reflecting changes in the availability of capital, and the needs for it. That was the process by which Jacob Estey entered a new field of enterprise.

In 1846, Samuel H. Jones, who had worked for an organ concern in New Hampshire and therefore had some experience in the new industry, came to Brattleboro to establish a melodeon business. Brattleboro was selected because Jones had made the acquaintance of one Riley Burditt (later, Burdett), a "singing master" in his early thirties and part owner of a music shop and store in Brattleboro. Burdett's partner was John Woodbury, a violin maker by trade. It appears likely that Burdett and Woodbury had some capital available for expanding their line of instruments, which then included violins and bass viols. As a result, the firm of S. H. Jones & Company was established. The first melodeon was finished late in the fall of 1846, and the firm found an outlet for its product in Boston.[9]

When Jones & Company began operations, there were very few melodeon manufacturers in the field. Riley Burdett later recalled that there was another melodeon company in Concord, New Hampshire, at this time, as well as the Prince Company in Buffalo, and he said these were followed later by Carhart & Needham in New York and Mason & Hamlin in Boston.[10] To be sure, his chronology might have been weak and there probably were more firms in existence than he knew about, but his description does illustrate the fact that the collective identification of a "trade" was nonexistent, since production and distribution were largely of a localized nature.

A major problem faced by melodeon manufacturers at this time was that of creating an instrument that would generate sounds akin to that of music. Cabinetry, pipe construction, and bellows manufacture were, after all, well-known and traditional processes; the essentially new element was the metallic reed which created the notes. Little was then known about "voicing" (bending or curving) reeds to modify their tones in a variety of ways. "Pretty much all we did," Burdett said, "was to construct the reed and file it to a thickness that we thought would produce the best vibration, without any bending of the reed or device to modify the tone. It was very coarse, and I might say repulsive. . . ."[11] The first of these

[9] Hamilton Child, comp., *Gazetteer and Business Directory of Windham County, Vermont, 1724–1884* (Syracuse, New York, 1884), p. 84; Cabot, *Annals*, Vol. II, p. 626.

[10] United States Circuit Court, Vermont, *Riley Burdett v. Jacob Estey & Co., Testimony before Hon. John W. Stewart, Master* (Woodstock, Vermont, 1879), p. 226, Estey Organ Company Records. Hereafter cited as E.O.C.

[11] *Burdett v. Estey*, p. 206.

crude melodeons made by the Brattleboro firm were three and one-half or four octaves and employed pressure bellows; by 1848, five-octave models were made. It was not until the early 1850's that suction bellows were installed in the instruments and six-octave models manufactured.[12]

The melodeon firm had not been in existence for long before the first in a series of organizational changes took place: in May, 1847, Burdett traded his share in Woodbury's violin shop and music store for Woodbury's interest in S. H. Jones & Company. The new firm was called Jones & Burditt, "Manufacturers of Melodeans [*sic*], Seraphims, &c," and offered instruments for churches and choirs "with any number setts [*sic*] of reeds, and with any quality and strength of tone required." They also tuned and repaired pianos, seraphines, melodeons, and accordions.[13] By 1849, they had added to their line "The Most Desirable Musical Instrument ever offered to the Public" – the new Aeolian, "or Improved Stationary Melodeon." Like most of the instruments in this field, the structure of the new product was styled after the piano.[14]

After three years of operation, the firm of Jones & Burditt informed the census-taker of 1850 that, during the year ended June 1, the company had a capital investment of $2,500, used hand and water power, employed 10 men at an average wage of $33 per month, and had used $2,000 worth of raw material. They revealed no production or product value figures, although it was later estimated that total production in 1850 was 75 instruments.[15] At this time, there were two competitors in the state: a James Richardson, in Poultney, on the western border of Vermont, had made eight reed organs during the census year, and Green, Bailey & Company, also in Poultney, produced 175 aeolian organs.[16] Apparently, the market for Vermont-made instruments was better in western Vermont and eastern New York than was the market served by Brattleboro, for the latter had strong competition from larger producers in the big Massachusetts cities, particularly Boston.

In August, 1850, Jones & Burditt dissolved their partnership. For a couple of weeks, Burdett carried on the work himself. Then, early in September, Edwin B. Carpenter, a farmer from a nearby town who had been selling the melodeons (probably on a commission

[12] "Mem. from Joe Jones," 1892 Celebration File, E.O.C.

[13] Child, *Gazetteer*, p. 89; Cabot, *Annals*, Vol. II, p. 626; *The* [Brattleboro] *Semi-Weekly Eagle*, Oct. 17 and Dec. 21, 1847.

[14] *The Semi-Weekly Eagle*, Jan. 29, 1849.

[15] Manuscript Census, Windham County, 1850; *Vermont Phoenix*, n. d., Celebration File, E.O.C.

[16] T. D. Seymour Bassett, "Minstrels, Musicians, and Melodeons," *New England Quarterly*, Vol. 19 (March, 1946), p. 47.

basis) joined Burdett in the business.[17] The firm of Burditt & Carpenter lasted a little more than a year. In January, 1852, an advertisement appeared in a local newspaper announcing that E. B. Carpenter & Company had succeeded that of Burditt & Carpenter. Burdett apparently sold out his ownership share, for he stayed on in the factory.

The Carpenter Company's offerings included "double and single Aeolians, Aeolian Seraphines, Reed Organs and Pitch Pipes, Wholesale and Retail," as well as pianos, instruction books, and tuning forks.[18] No information was included in the newspapers to indicate whether Carpenter was the sole owner or was in partnership with others. However, two sources state that Burdett's share of the business was bought by Jacob Estey, a manufacturer of pumps and lead pipe and marble gravestones, as well as a dealer in lumber, who rented part of his shop building to Burditt & Carpenter.[19] In view of the instability of the business at this time, it is likely that Carpenter had to rely on others for capital; it is therefore probable that Estey did invest some money in the business.

The pattern that had been clearly established from almost the very beginning of Brattleboro's instrument firm was continued. In May, 1853, an announcement was made that Isaac Hines, Jacob Es-

[17] *The Semi-Weekly Eagle*, Aug. 26 and Sept. 12, 1850.

[18] *The Brattleboro Eagle*, Jan. 7, 1853. This advertisement, like many others, bore the date of its first appearance in the newspaper, which in this case was Jan., 1852.

[19] Child, *Gazetteer*, pp. 90–91; Cabot, *Annals*, Vol. II, p. 627.

tey, and H. P. Green had purchased E. B. Carpenter & Co., and were offering in their line "Carhart's Patent Melodeons," as well as a double aeolian and a new church organ. With a feeling for the personal touch, they informed the public that they "employ such men as R. Burditt, H. Frost, the Messrs. Jones, Rose, Gray, White, and others. . . ."[20] Even though I. Hines & Company, as the newly formed firm was called, maintained that it had purchased Carpenter's business, it is interesting to note that the advertisement for E. B. Carpenter & Company, originally placed in the newspaper in January, 1852, was continued into the fall of 1853, and a new advertisement for "E. B. Carpenter, Manufacturer of Carhart's Patent Improved Melodeons" was placed in January, 1854, and continued to appear into July.[21] Carpenter seems to have sold out his holdings and begun again on a smaller scale in another location.

The appearance of the name of Carhart is significant, for it indicates that the kind of instrument being manufactured was changed from a pressure-bellows type to an exhaust bellows, one of the distinctions between the American reed organ and the European. Most important, however, is the fact that the creation of I. Hines & Company marked the first public announcement that Jacob Estey had entered the reed organ business, an industry with which he was to be associated for the rest of his life.

Jacob Estey's story of his life is in the "rags-to-riches" category. He was born in 1814 in Hinsdale, New Hampshire, about seven miles from Brattleboro. When Estey was four, a neighbor adopted him. At the age of thirteen, because of alleged harsh treatment, Estey ran away. He went to Worcester, Massachusetts, where some of his brothers lived, and became apprenticed to a manufacturer of lead pipe and pumps. At twenty-one, he took his life savings of $200 and went to Brattleboro, where he bought a plumbing supplies business of his own.[22] The newspapers of the period in Brattleboro archives carried no information about Estey's business activities until the late 1840's, when an advertisement described him as a manufacturer of lead pipe and copper pumps, as well as an "Agent for the sale of Marble Grave Stones."[23] No doubt Estey enjoyed the challenge of entrepreneurship, for by mid-1848 an additional firm, McDonald and Estey, was established to process and sell marble gravestones and monuments, as well as other marble and slate products. The marble manufacturing concern became Estey and Dutton in 1850,

[20] *The Brattleboro Eagle*, May 6, 1853.
[21] See *The Brattleboro Eagle*, May, 1853, through July, 1854.
[22] *National Cyclopedia*, Vol. I, p. 215.
[23] *The Semi-Weekly Eagle*, Aug. 10, 1847.

and Estey and Kathan in 1854. By the end of the 1840's, Estey had also acquired ownership of a fairly large factory building, part of which was rented to the Burditt & Carpenter firm. Estey's payment policy for his lead pipe, copper pumps, cisterns, and hydraulic rams was flexible: "Lumber and most kinds of Produce, taken in exchange" was an offer which was included in most of his advertisements. His customers more than likely had easier access to trees than to money, and this may be the reason why Estey became a dealer in lumber, operating his own lumber yard.[24]

In the 1850 census, Jacob Estey, "Coppersmith," evaluated his personal real estate at $2,000, and his pipe and pump business, which was capitalized at $2,500, employed six men and had produced $6,000 worth of goods during the year ended June 1. In addition, the firm of Estey and Dutton had two employees and a product value of $3,000 during the census year. Estey was thirty-six years old at this time, and had a wife and two children – Abby, seven, and Julius, five.[25]

When Jacob Estey bought into the organ business in Brattleboro, he offered a number of advantages to the firm. First of all, he had some capital, which was a necessary factor; he was also an ambitious and effective businessman, and he had factory space. In addition, he supplemented whatever sales activity the melodeon firm had been pursuing, for in his plumbing supplies business he fabricated his goods during the winter and marketed a large part of his product with horse and wagon in the summer throughout a fairly large area. In the early days of his association with the organ business, he included these instruments among the wares he carried into New Hampshire, Massachusetts, eastern New York, and most of Vermont.[26] The idea of carrying a greater variety of goods must have appealed to him, for it is apparent that he was interested in expanding his lines of enterprise at this time. Just what role Estey played in the direct operations of the new firm, beyond the aforementioned activities, is not known. It is likely that it was a relatively small role, since melodeon manufacture was a new area for him and constituted only one-third of his enterprises at the time. The manufacturing processes of I. Hines & Company undoubtedly were supervised by Riley Burdett and probably H. P. Green, who was reputed to know something about the business.[27] Practically nothing

[24] See *The Semi-Weekly Eagle*, June 22, 1848, *et seq.*; Newspaper Clippings, Celebration File, E.O.C.; *The Brattleboro Eagle*, Aug. 5, 1853, May 19, 1854, *et seq.*

[25] Manuscript Census, Windham County, 1850. Julius had the distinction of being listed as a female child named Julia!

[26] *National Cyclopedia*, Vol. I, p. 215; Cabot, *Annals*, Vol. II, p. 632.

[27] Cabot, *Annals*, Vol. II, p. 632. Green was a cabinetmaker by trade and had been a

is known about the actual operations of the firm, its profitability, productivity, or employment. It is likely that production was somewhat higher than it had been in 1850, and that employment was about the same as it had been during the census year.

There are indications that the business was relatively profitable, or at least appeared to be so to others, for when I. Hines & Company was organized, E. B. Carpenter continued to manufacture organs. He was soon joined by Samuel H. Jones, who offered to tune and repair "Church Organs, Pianos, Melodeons, and all other Musical Instruments." [28] In July, 1854, the firm of Jones, Carpenter, and Woods was organized to manufacture and sell "Melodeons For The Million ['Carhart's Patent' Improved]," and to sell other musical instruments as well.[29] This firm held together until early in 1856, when it broke up, and Carpenter, once again, was on his own. In 1857, he sold out to Estey's company – for the second, and last, time.[30]

The likelihood that the melodeon industry was profitable is further enhanced by the fact that in February, 1855, an announcement was made that the firm of Estey & Green had succeeded I. Hines & Company. It was reported that Isaac Hines brought suit against Estey and Green, claiming that he had been "retired against his will" and demanding his fair share of the property and profits of the company. The case was finally settled in 1859, although how much Hines was awarded and how the other partners succeeded in getting him out of the business remains unknown.[31] It is noteworthy that, in the shifting of business ownership and organization, this was the first time the Brattleboro firm unquestionably reduced the number of its partners – a sign of economic health, either of the remaining partners, of the business, or of both.

While little is known of the operations of Estey & Green during most of the years of its existence, we do know that the trade name of their product was "The Perfect Melodeon," which was manufactured in aeolian or piano style. The former was produced in four-octave, five-octave, or six-octave models and ranged in price from $45 to $95; the piano style came in five-octave, six-octave, or seven-octave models and was priced from $100 to $250. Estey & Green also sold

partner in the cabinetmaking firm of Sargeant and Green in 1850. (Manuscript Census, Windham County, 1850.) It is also noteworthy that Green and Riley Burdett jointly patented a harmonic coupler in 1857. (*Report of the Commissioner of Patents for the Year 1857*, House of Representatives Ex. Doc. No. 32, 35th Cong., 1st Sess. [Washington, D. C., 1858], p. 269.)

[28] *The Brattleboro Eagle*, Jan. 20, 1854.

[29] *The Brattleboro Eagle*, July 28, 1854.

[30] *The Vermont Phoenix*, June 6, 1857.

[31] *The Vermont Phoenix*, Feb. 10, 1855; Newspaper clipping, n.p. [1892], Celebration File, E.O.C.

and rented pianos.[32] From all the indications, it appears that the prices of the instruments remained relatively stable during the 1850's. Estey & Green were consistent in entering their "Perfect Melodeons" in the annual Vermont State Fairs and usually won first prizes in their field, although it must be added that the number of competitors was hardly ever large.[33]

The firm suffered a serious setback in September, 1857, when a fire destroyed the shop building and machinery; indeed, this same fire was reported to have burned out more than half the manufacturing firms in Brattleboro. Estey, who owned the building which housed all his enterprises, placed a value of $5,000 on the structure. Estey & Green reported a loss of $15,000; the pipe and pump shop, $800 to $1,000; and Estey & Kathan, $1,500.[34] Whatever reservations may be placed upon these valuations, the melodeon firm, and Jacob Estey's activities in general, had grown significantly in size and scale since 1850. Estey moved his marble processing operation to a new location immediately, but Estey & Green's new shop was not completed until February, 1858.

The new melodeon shop measured 50 feet by 70 feet, was three stories high, and boasted a two-story basement. The melodeon operation and Estey's other enterprises occupied the three upper stories, while the basements were rented to other firms.[35] In April, 1858, the firm of Estey & Green informed the local newspaper that it employed about twenty men, which was somewhat less than the number at work before the fire, and that ten instruments a week were being produced at prices ranging from $75 to $200.[36] The newspaper report implied that business was as good or better than it had been during the previous year.

The year 1858 was a busy one for Jacob Estey; he was able to survive his serious losses in the September fire and still promote his economic interests aggressively. In June, he began construction of a second new building, this one on the site of the one that had burned, and it was completed in September. This building was used by three or four other firms, and it provided rental income for Estey. In the meantime, he sold out his holdings in the marble firm, but what specific connection this had with the melodeon business or his new speculative venture is not known; it is, however, likely that the pressures of both forced him to convert part of his investments to

[32] Newspaper clipping, n.p., n.d., Celebration File, E.O.C.

[33] See *The Vermont Phoenix*, Sept. 20, 1856, and Sept. 19, 1857; *The* [Burlington, Vermont] *Daily Free Press*, Sept. 17, 1859, and Sept. 17, 1860.

[34] *The Vermont Phoenix*, Sept. 5, 1857.

[35] *The Vermont Phoenix*, Sept. 19, 1857, Nov. 14, 1857, and Feb. 13, 1858.

[36] *The Vermont Phoenix*, April 10, 1858.

cash.[37] By May, 1859, Estey & Green's employment had risen to thirty. Sales for that month were listed in the newspaper at precisely $6,149.25,[38] a volume of business that must have created a demand for more of Estey's money in the growing firm.

Whatever the year-to-year variations in economic activity of the melodeon firm during the 1850's, the contrast between the reported figures in the 1850 and 1860 censuses is striking. During the year ending June 1, 1860, Estey & Green produced 600 melodeons representing a market value of $44,000, employed an average of twenty-five men, and showed a capital investment of $18,000. These figures represented an increase over 1850 of 800 per cent in estimated production, 250 per cent in employment, and 700 per cent in capital investment. It is also interesting to note that the company used steam power, rather than the hand and water power which was much more widely used in the state at that time. Estey & Green accounted for 5.5 per cent of the melodeon industry's employment, 5.7 per cent of its payroll, 4.7 per cent of its total product, and 6.8 per cent of its product value, according to the census figures.[39] If these figures are reliable, it would appear that the Brattleboro firm's wages were higher and productivity per employee was lower than the industry average, but the prices of its products were higher than the average. The variations among these figures are due to the fact that Estey & Green was obviously producing more large melodeons, which would slow down productivity and increase the average price.

In 1860, another significant development took place when the melodeon firm hired Levi K. Fuller to supervise the iron and brass work and machinery in the plant.[40] Fuller was nineteen years old, and had described himself as a cabinetmaker in the census, although he possessed machine shop training and experience. His connection with Jacob Estey was a close one and of long duration, for he later married his boss's daughter and became an officer in the firm. Subsequently, Fuller became a Governor of Vermont and a Colonel in the National Guard, developed a sizable number of patents, and established a standard international pitch for piano manufacturers. Levi Fuller was, perhaps, the most important contributor to the success and growth of the Estey Organ Company. In some ways Fuller was like Jacob Estey, for even though his employment at Estey & Green began in 1860, he managed to organize a sewing machine

[37] *The Vermont Phoenix*, June 19, July 17, and Sept. 11, 1858.
[38] *The Vermont Phoenix*, June 4, 1859.
[39] Manuscript Census, Windham County, 1860; *Manufactures . . . 1860*, p. cliii.
[40] *Testimony*, p. 343.

factory in Brattleboro in 1863, which he sold in 1866. He also maintained a machine shop.[41]

At the time Fuller was expanding his economic activities, Jacob Estey was narrowing his. He had already withdrawn from the marble processing business, and in 1864 he severed his connection with the pipe and pump business, his original enterprise. In the meantime, he bought out H. P. Green and assumed sole ownership of the organ enterprise. This event, which took place in January, 1863,[42] marked the sixth time ownership of the business had changed since S. H. Jones & Company was organized in 1846. Information is unavailable about the reasons for Green's departure or the price he received. Just what influence the Civil War had on this development and on the melodeon manufacturing industry in general, is also unclear, although it seems likely that the Brattleboro firm had since 1855 been experiencing a period of expansion. Perhaps this was the first time that one individual had accumulated enough capital to run the business himself. The factor of capital was the pivotal one, for the manufacturing end of the business was in the hands of Riley Burdett and Levi Fuller, both of whom were capable and resourceful. But at last Jacob Estey had assumed full control of the establishment, and it soon became his sole enterprise.

There was no change in the kind of product that Estey offered for sale. He continued to manufacture "The Perfect Melodeon," with "patent Harmonic Attachment, Bass Damper, and Manual Sub-Bass," as well as a "School Harmonium."[43] Some indication of the state and condition of the firm was revealed in 1864, when part of Estey's factory buildings burned down – the second time in seven years. According to Estey's valuation of his losses, one building and its machinery were worth $9,000; lost tools, equipment, and instruments, $18,000.[44] Again there is no way to determine the accuracy of these claims, but since only a part of Estey's structures and factory burned, there seems to be little doubt that there had been an important increase in the scale of operations since 1857, and perhaps since 1860 as well.

Another clue to growth is provided by the earliest surviving company record: a sales book – which dates back to May, 1864. The

[41] Child, *Gazetteer*, p. 93; *Walton's Vermont Register for 1865* (Montpelier, Vermont, 1865), p. 43.

[42] *Walton's Register, 1864*, p. 43; . . . *1865*, p. 43; *The Vermont Phoenix*, Feb. 5, 1863.

[43] *The Vermont Phoenix*, Feb. 5, 1863. The appearance of the "harmonium" indicates that Estey & Green had been manufacturing a large, and more advanced type of reed organ. It has been reported that the first "large reed organ" was manufactured in Brattleboro in 1853 – apparently, by E. B. Carpenter & Company. Cabot, *Annals*, Vol. II, p. 634.

[44] *The Burlington Free Press*, Jan. 11, 1864. The fire also destroyed a tenant business in the basement, and Levi Fuller's machine shop on the first floor.

first organ shipped in May was number 8700. Assuming that the numbering of instruments was continuous and accurate, some estimates of production for the first seventeen years of operation are possible. It may be assumed that approximately 8,000 melodeons had been sold between the fall of 1846, when the first instrument was completed and shipped, and the fall of 1863. It is likely that production during the first few years of existence did not vary much from the estimate of seventy-five in 1850, and that during the 1850's rapid growth was achieved, for the stated production for mid-1859 to mid-1860 was 600 melodeons. If these assumptions are correct, then production, here generally correlated with sales, averaged slightly less than 600 instruments per year for the 1850's and early 1860's, with the likelihood that the figure was much lower during the early 1850's and much higher during the early 1860's. While there is no way of checking the accuracy of the sales book figures, there is little doubt that by 1864 the annual gross income of the melodeon firm was well in excess of $40,000 per year. Between May and the end of 1864, 595 organs were sold by Estey. Since retail prices ranged from $95 for a portable, five-octave organ to $275 for the large "Harmonic" organ, the firm's gross income from the sale of organs was an absolute minimum of $40,000 for the eight-month period.[45] Of course this gives no indication of either costs or profits, but in relative terms the venture was becoming "big business."

Just where the market or markets for the Perfect Melodeon were situated at this time is not apparent. Some instruments were sold locally, to be sure, and some were purchased in the rest of Vermont and in New Hampshire, but there is no doubt that the bulk of the sales had to be elsewhere, and most likely through New York and Boston outlets. The vast increase in musical instrument manufacture which had taken place since 1840 reflected both the willingness and the ability of Americans to purchase such goods. Estey was riding the tide of a growing interest in cultural devices by providing a durable musical instrument at a relatively low price. The bulk of melodeon sales was in the East, but the growing West offered challenging opportunities for expanding the market.

Estey sought to establish a foothold in the rapidly expanding Midwest, and in 1865 the Brattleboro firm was once again reorganized, this time as J. Estey & Company. Ownership was shared among Estey, Riley Burdett, Silas M. Waite, and Joel Bullard. Waite was a Brattleboro banker and speculator, and Bullard was a local builder

[45] Sales Book, May, 1864, to May, 1867, E.O.C.; Newspaper clipping, n.p., July 1, 1864, Celebration File, E.O.C.

who had constructed, among other things, Brattleboro's city hall. The firm was capitalized at $50,000, with Estey, Burdett, and Waite contributing $15,000 each, and Bullard $5,000. A factory was opened in Chicago, and Julius J. Estey, Jacob's son, who had graduated from Norwich University in 1864 and entered his father's concern immediately thereafter, was placed in charge. An unspecified number of workmen were sent to Chicago to manufacture the reed organs. In the winter of 1865, Burdett went to Chicago to take charge.[46] The sales book for 1865 reveals that 1,105 organs were shipped that year by J. Estey & Company, but it does not indicate whether or not the product of the Chicago plant was included in the total.[47] This was, without doubt, the biggest production year in the firm's history, and the biggest financial year as well.

One reason why the firm was able to increase its production was the fact that, in 1865, J. Estey & Company bought out J. D. Whitney & Son of Fitchburg, Massachusetts. Whitney had developed a process for turning out organ reeds in great quantities with highly specialized machinery. Estey wisely brought Whitney to Brattleboro to run the equipment he had purchased, though Whitney's status was that of a contractor rather than an employee.[48] It may well be that this transaction was an additional reason for the reorganization and recapitalization of the Estey company, as well as an integral part of a plan to expand the company's share of the market.

In April, 1866, in keeping with the traditions of Brattleboro's changeable melodeon industry, J. Estey & Company reorganized. For undisclosed reasons, it was decided to dissolve the existing partnership; the Chicago and Brattleboro plants were inventoried and the balances apportioned among the partners. Burdett maintained that the inventory valuation of both installations was about $120,000, and that Estey paid him $2,400 or $2,500 for his share. Waite and Burdett retained ownership of the Chicago establishment, which was renamed R. Burdett & Company, and Estey kept the Brattleboro factory. What happened to Bullard in the transaction is unknown, but his fate is not a key factor in the Estey story.[49]

At the time of the dissolution of the short-lived partnership with Burdett, Waite, and Bullard, Jacob Estey acquired two new partners: Julius, his son, and Levi K. Fuller, his son-in-law. This was a significant event in the history of the reed organ business, particularly in Brattleboro, for it marked the last reorganization of ownership

[46] *Testimony*, pp. 205, 223, 226; Cabot, *Annals*, Vol. II, p. 629.
[47] Sales Book, May, 1864, to May, 1867, E.O.C.
[48] Child, *Gazetteer*, pp. 92–93; Cabot, *Annals*, Vol. II, p. 633.
[49] *Testimony*, pp. 223, 224, 226, 227; Cabot, *Annals*, Vol. II, p. 629.

and control of the firm which was to take place in the nineteenth century. More important, it marked the beginning of an era, extending over a period of 25 years, during which the new triumvirate was to bring the company to the peak of fame and success.

The origins of the Estey Organ Company, marked by rapid, short-run changes, may be characteristic of the growing pains of any number of American manufacturing firms in the nineteenth century. The instability of ownership of the melodeon firm represented an instability and inadequacy of source capital. It also reflected changing market conditions and varying assessments of market potential. While it is difficult, if not risky, to delineate a factor of "management" as distinct from ownership, it is noteworthy that for about twenty years Riley Burdett was connected with all of the "companies," and from at least 1850 on was responsible for superintending production. While great changes were taking place in the control of the establishment, the operation itself had a continuous physical existence, if not a semblance of stability.

The development of melodeon manufacture in Brattleboro also reflects an ability to copy European products and to adapt and modify them in accordance with the skills of American manufacturers and the demands of existing markets. In this connection, available sources were examined to determine the number of European, and particularly German, immigrants who were living and working in Brattleboro between 1850 and 1880. The 1850 list reveals that there were few natives of Germany living in Brattleboro, and no occupational designations related to musical instrument manufacture appeared. Indeed, almost all foreignborn residents of Brattleboro were Irish laborers. There was very little change in this situation by 1860. By 1870, three native Germans and one Englishman were employed in the "organ shop," and by 1880, eight Estey employees were German by birth, one was Swiss, and one English. From the evidence available, there seems to be little doubt that the Brattleboro industry depended solely on a local labor supply for whatever skills it required. Moreover, the technology involved in producing reed instruments appears to have been an adaptation of common woodworking and metalworking machinery to the needs of the new industry. From the fragmentary information which pertains to this subject, it appears that Whitney's machinery was the first significant technological change in operations. Indeed, Joseph Jones, Samuel's brother and one of the first workers in the firm, later recalled that by 1864 Jacob Estey had added only one saw to the equipment

which had been purchased from E. B. Carpenter in the 1850's.[50] In view of the evidence, it is possible to conclude that all of the factors which entered into the origins of the Estey Organ Company were rooted almost completely in native soil. This situation is an interesting contrast to that which was widely prevalent earlier in the century, when specialized technical operations in America drew heavily upon European knowledge and skills.

The development of musical instrument manufacture in Brattleboro represented one phase of the growing industrialization of Vermont during the mid-nineteenth century. From 1840 on, through several decades, Vermont appeared to its native sons to have as good an opportunity as any other state or the nation as a whole to become an "industrialized" area. In 1850, for example, Vermont ranked twenty-fourth in capital invested in manufacturing and twenty-first in value of manufactured products among thirty-five states and territories; by 1870, the state ranked nineteenth and twenty-first among forty-six states and territories in these same categories. After 1870, the state's relative standing began a long and steady decline.[51] The important point, however, is that whatever the trend, there were people in Brattleboro, and in other Vermont communities, ready to invest their capital and ingenuity in the manufacture of goods and ready to compete boldly in larger market areas. Jacob Estey was one of the relatively few who was able to do so with any degree of success. He attained for himself and his company great financial rewards, as well as world-wide recognition and renown, by concentrating his effort in a highly specialized venture that was resistant to the slow blight of Vermont's economic environment.

[50] "Mem. from Joe Jones," Celebration File, E.O.C.

[51] *Manufactures . . . 1860*, pp. 729, 730; *Ninth Census*, Vol. 3, p. 392. It is interesting to note, however, that the single largest industry, in terms of employment, in Vermont is manufacturing, and that manufacturing has accounted for a larger share of Vermont's personal income than did manufacturing in the nation as a whole during most of the years of the 1950's. Milton J. Nadworny, *Report on the Labor Force and Industrial Structure of Vermont* (Montpelier, Vermont, 1956).

A Tidewater Merchant In New Hampshire

In post-Colonial days and well into the nineteenth century the merchant's role in smaller communities was incredibly versatile and complicated. This study calls attention to one such "Yankee trader," who was the focal point for scores of enterprises but whose nonspecialized adventures became progressively restricted with changing times.

by Robert W. Lovett

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In 1946 Sarah L. Frost, of Dover, New Hampshire, with the approval of other members of the family, gave to Baker Library, Harvard Business School, records of family enterprises in Durham, New Hampshire, covering the latter part of the eighteenth century and much of the nineteenth. Recently the opportunity arose, in connection with the organizing and description of this material, for making a preliminary study of its significance. This study, concentrating on the second George Frost, who was most active in the period from 1795 to 1830, shows him as a typical merchant of his time and place, serving as a link between the New Hampshire hinterland and Ports-

mouth, the state's outlet to the sea.[1]

The location of Durham, as of several other towns similarly situated, was a main reason for its development as a secondary, though significant, center of trade. It is situated on the Oyster River, where it enters Great Bay, which in turn leads to the Piscataqua River, and out to sea at Portsmouth. Settled in 1665 as Oyster River Plantation, Durham became a town in 1732. Large ships could not navigate in Great Bay, and a small craft, known as a gundelow, was developed to carry goods between Portsmouth and Durham, Newmarket, Exeter and other towns on rivers entering into Great Bay. A bridge was constructed across the Piscataqua in 1794, to the west and north of the present one, and a turnpike in 1796. But gundelows on Great Bay continued to be the preferred method of transport of heavy goods. It was not until the coming of the railroad in 1841 and the opening of additional roads from the Merrimack River to New Hampshire towns that the gundelows disappeared from Great Bay. The coming of the University of New Hampshire to Durham, in 1893, changed the course of development again to the modern educational center we know today. But this was some ten years after the Frost business (already changed from its earlier days), had ceased to exist.

George Frost II, as we shall designate him, could draw upon a considerable mercantile family tradition. His grandfather, John Frost, married a sister of Sir William Pepperell. His father, who was also named George, began business with his uncle, William Pepperell, became a partner of George Richards in London, and married the Widow Richards in 1757. After her death he married the Widow Smith, and in 1769 went to live in the Smith Garrison House in Lubberland, then part of Durham. He served as a judge from 1773 to 1791, was a delegate to the Continental Congress, and was a moderator and selectman of Durham. Records, still in the family's possession, show his accounts in London in 1759, in Newcastle, New Hampshire, to 1770, and in Durham from that year to 1796, when he died. These include general store accounts, estate accounts, wool accounts, and accounts for the Schooner *Newcastle*. It is difficult to separate the interests of the two Georges, father and son, during

[1] This article is a revision of a talk before the Durham Historic Association on April 28, 1958. It is based largely on the Frost Collection in Baker Library, Harvard Business School. This collection, comprising 67 volumes and 2 boxes and covering the period from 1764 to 1884, was presented by Miss Sarah L. Frost, Miss Elizabeth R. Frost, and Mrs. James C. Sawyer [Mary Pepperell Frost]. The writer is indebted to Miss Elizabeth and Miss Sarah Frost and to their nephew, Mr. Charles Sawyer, for permission to consult material still in their possession and for answers to several inquiries about the history of the Frost family. Mr. Philip C. Wilcox, President of the Association, was also of assistance at the beginning of my research.

this early period or to identify the father's business holdings in Durham. We can say with certainty, however, that the younger George inherited his mercantile leanings from his father and grandfather; and it is likely that he received material aid in setting up in business.[2]

The records became more extensive in the late 1700's, and we can be more explicit about George Frost II. Born in 1765, he began storekeeping in Barrington, a small town to the north of Durham, in 1789, when he was twenty-four. On a cover removed from a ledger of 1808 is the following notation: "Commenced business in Barrington, May 20, 1789, Israel Huckins. Commenced business at Northwood, John Harvey's, Feb. 7, 1792. April 16, 1804, moved to Durham." The existing records bear this statement out. There are two paper-covered account books for the Barrington store (1789–1792); and another begins in 1792 with this entry: "Entered as a Boarder with Col. John Harvey at 6/ per week to be paid in neat stock." There are entries in the ledgers for work on the store in Northwood (another small town just north of Durham), and a further notation on the ledger cover already mentioned is: "Store built 1793, cost £49–6–1, Painted 1795 £9–9." Several licenses to sell liquor in the 1790's refer to George Frost as "of Northwood."

It is likely that the death of his father in 1796, plus his own initial success in storekeeping, led George II to move to Durham. This was of course a much more strategic location for business than the towns adjoining to the north. Furthermore, young Frost could leave reliable persons in charge of these other stores; for example, Ebenezer Coe, son of Curtis Coe, minister of Durham, was apprenticed to him on August 3, 1803, and seems to have been left in charge of the Northwood shop. A change in Frost's personal affairs was also doubtless a factor. On the inside cover of one of the ledgers is this statement: "May 27, 1794 In Portsmouth Court House, Mr. William Ballard betted with me a Bever Hatt that I should not marry within seven years from the above date, which will turn out in May, 1801." Young Frost won the bet, for he married Margaret Burleigh on April 20, 1797.[3] Three years later he purchased from Jonathan Woodman a fine old house on a hill overlooking Oyster River and the Bay. And some four years later still he actually moved to Durham, though he may have been boarding with Woodman occasional-

[2] The family still has in its possession in Dover and Durham, New Hampshire, records of John Frost and George Frost I (the name was then spelled Ffrost); and it is possible that further organization and study of these records will reveal more of the relationships of the 1790's.

[3] John Burleigh, Frost's father-in-law, also kept a store, at Newmarket. Records of this enterprise are part of the Frost collection in Baker Library.

ly before that. A document, dated May 18, 1803, lists such expenses as: "Land at Durham, 5 acres, $400; repares at Durham, $1950; wharf at Durham, $200; chaise, $250; farming utensils, $150; gondola (bot of Mead), $294; anker and cable, $12." With the removal to Durham, the pattern of family life was established: of work in the store, on the wharves, and about the boats by the river's edge at the foot of the hill; of management of the farm properties scattered about the town; and of relaxation with the family in the home atop the hill.

Let us take a quick look at the growth of George Frost's property holdings over the years. An inventory of 1812 values the dwelling (which is still standing and still in the family), barn, two stores and wharves, and four acres of land at $6,000. The upper store was at the northeast side of the bridge over Oyster River, and the lower store and wharf were down the river a little way on the same side.[4] In 1827, about the time George Frost turned over some of his business interests to his sons, the homestead, barn, sheds, and three acres were valued at $4,000, wharf number two at $1,000, wharf number three and new barn at $1,300. A brick store, built in 1821 at a site nearer what is now the center of town, was listed at $2,500. George II also owned several farm properties in Durham, among them the Burnham and Pinkham Farms. These were rented out to tenant farmers on some such agreement as that with Phinehas Wille in 1821.[5] Further, he owned wood lots, in part acquired as payment for bad debts, in such towns as Chichester and Effingham. Since farming and lumbering were the chief activities of the region, it is to be expected that the general merchant would be involved in these, too. He often had to resort to barter, or to storing goods until a demand for them arose, and he was accustomed to encouraging home industries; at times even serving as banker.

Business activity centered about the waterfront. Tradition has it that on occasion teams would be lined up for some distance, as back-country storekeepers waited to exchange their lumber and farm produce for goods from Portsmouth.

Deeds exist showing changes in wharf ownership involving the Frosts from 1780 to 1838. The town seems to have kept title to at least one wharf for a good part of the time. Frost and Edgerly (a

[4] Much later an artist sketched how the area must have looked at the height of its activity. The sketch hangs in the Frost home in Durham and is reproduced in William G. Saltonstall, *Ports of Piscataqua* (Cambridge, 1941).

[5] Wille agreed to carry on tillage at the halves, to pay one-half of all taxes, to make cider at the halves, to labor with Frost at $8.00 a month after he finished hoeing, to put up all the fence, said Frost finding the boards, to deliver to Frost one-half the butter and cheese from two cows, all the winter apples and one-half the produce, and not to cut any wood; Frost in turn was to supply the oxen and farming utensils.

Durham carpenter) were authorized to build a wharf in 1803, and again in 1804. In 1808 Robert Wells and Ebenezer Edgerly agreed to build a wharf, 22 feet by 40 feet, under the lime store, and to complete the job in fifteen days, for $25. Robert Presson and Eliphalet Edgerly agreed to fill the same with gravel for $12.50.

The letters which Frost received furnish us an interesting glimpse of his business and how it was carried on. We may consider first those from the imported goods suppliers, who were also customers for lumber. James Sheafe, of Portsmouth, for whom John Burleigh (Frost's father-in-law) had built ships, wrote on March 27, 1805, for a gundelow load of wood. The following year, John Langdon, also of Portsmouth, offered to buy shook (sets of staves) in return for corn at $.80, rice at $5.75, and flour at $9.00. William Riel offered to take boards for molasses, and Robert Smith, evidently a baker, offered bread, crackers, and gingerbread in return for wood. In the early years most of the suppliers of the so-called West Indies or English goods were merchants in Portsmouth. In the 'twenties the Frosts were to turn to Boston and later still at least on occasion, back to Portland or Portsmouth again.

The suppliers of lumber, who were also customers for general goods, wrote equally interesting, though somewhat less literate, letters. For instance, James McClary, of Epsom, wrote on June 25, 1805: "Sir: My Teams can hawl part of a load back and if you can let me have Ten Quental of fish I will pay you in Boards in the fawl." A letter from Curtis Coe (Northwood, July 3, 1806) casts light on ways of doing business: ". . . be kind enough not to mention to Samuel Hoitt or any other person what you gave me for Boards or that you paid me any money for them. If Mr. Hoitt asks you, you may tell him you had a few of me to pay you what I owed you. . . ." On January 12, 1808, Curtis Coe (now of Barnstead) sent instructions, showing what was expected of such a middleman or expediter as Frost. He wrote:

I have sent three Loads of Lumber which I want to lay on your Wharf. I wish you to reserve a secure place to lay about 20 M staves. Likewise another to lay a Quantity of Boards and Shooks. The Boards sent I wish you to order the Teamster viz Leighton to pile up securely on your Wharf. Likewise I wish Mr. Twombly to lay the Staves on said Wharf. The Shingle and Shooks sent I designed for you, the Shingles to pay a Note you hold against me, the Shooks to be credited on account. I wish Mr. Twombly to haul of my articles Mols. (molasses) and 3 bbls. Fish. Mr. Welch I wish to load up with 2 hds. Salt which I wish to get of you if you please. Mr. Leighton with ½ Ton Plaster Paris if you have it on hand. If you have Iron on hand please to send me two Bars. I expect ¼ Ton next week or I should purchase more. . . .

A month later young Coe was asking for salt, three-fourths ton of plaster of Paris, one-half chest of Louchong tea, and three bars of iron. He inquired whether Frost would take boards or other good lumber for the tea, and stated that he had a yoke of good oxen. Of these he wrote: "if you know where you can turn them for cash or to answer your purpose to pay that Note against me you may send me word by the Bearer. I am oweing you considerable now but expect to pay you, and if you doubt my security as I am a minor I should be willing to give you security."

Difficulties of transportation are reflected in several of the letters. Thus, on November 4, 1806, T. D. Merrill wrote about some shooks he had sent down from Epsom: ". . . am informed by the Teamster that a number of the last sent down were broken open. I will satisfy you for the trouble and expence, if you can get them hooped before you send them down. You will be particular in landing them as directed and take receipts if possible." Joseph Haven, of Northwood, was much disturbed, when writing on July 31, 1807, because Frost's clerk had refused to send some cotton of his. There is a note on the letter to the effect that the cotton was not sent because it did not have any mark, "the owner was not known by the Packet-man, & remained in the Store unknown till the receipt of the above." Dudley Leavitt, writing from Northwood on October 29, 1807, was concerned about getting eight or nine barrels of cider to Portsmouth. He stipulated: "you would oblige me if by the packet-boat or any other way you could forward it on Saturday as the Bls. are full and should it begin to work would be less safe." John Berry had a somewhat similar problem when he sent a note to his teamster, telling him to take on a hogshead of molasses and "if it should be warm you will throw on Water on to the Molasses every five Miles." The packets were not always reliable, as we shall see, and even transportation by stage ran into difficulties. Joseph Richardson wrote to William P. Frost from Boston, on October 22, 1827: "I wrote you some days since, saying your Shirtings would go by the Stage. I never knew to the contrary till Saturday evening, the package has been laying at the Stage office ever since, the Stage would not take so large a package. I have now shipped them by the Young Hornet, Capt. Pearse." And he goes on to mention another difficulty, not uncommon then, in the fact that a three-dollar bill, in the last batch of money sent, proved to be counterfeit.

The gundelow was for a time the most successful answer to the difficulties of transportation in this area. William G. Saltonstall, in

his book, *Ports of Piscataqua*, traces the local gondola back to 1659.[6] D. Foster Taylor divides its history into three periods; in the first, from about 1650 to 1800, the gundelow was a dumb barge or square-end scow, propelled by poles and oars, with no rudder or deck.[7] During the second period (1800–1860), there was a fixed rudder, short platforms, and occasionally sails. In the third period (1860–1900) it was a fully-decked, spoon-bow vessel with a wheel, lateen sail, and leeboard. When empty, the gundelow drew less than a foot of water; when loaded, about four feet. They would go down to Portsmouth on the ebb tide and back on the flow. The season was generally from March or April to November or December, but some adventuresome persons would try to continue longer. There are many references in the Frost records to "when the river closes up" or "as long as the river is open."

Gundelow men were a special breed; they were in demand and often would draw extra pay. In the wood and gondola books (1806–1833) are full accounts of this activity. There were many combinations of men and charges. In 1808 Parks and Presson were to receive two-thirds, and Frost one-third, with his own freight carried free. In 1810 the combination was Parks and Frost, and in 1811, George Hull and Frost. In 1818 Twombley was responsible for the gundelow, in 1819, Mathes, and in subsequent years these two together. There are many comments in the records such as: "February 8, 1819, gondolas out — warm as May"; "December 7, 1819, gondola left at Portsmouth, returned April, 1820." Gundelows were built in 1808, 1811, 1822, and doubtless in other years. The agreement for 1808 is typical; Abraham Mathes agreed to furnish pine and oak timber for a gundelow for $100, to be delivered in three weeks at Frost's wharf. In September of that year Robert Wells and Ebenezer Edgerly agreed to build a gundelow for $130, $30 to be advanced to each. When Daniel Mathes engaged the gundelow for the season in 1822, it was valued at from $175 to $200, and he agreed to pay $40 to September 30 and $15 more if he kept it through November. In 1826 Jonathan Edgerly agreed to hire the old gundelow at $2.00 a trip for the season. Others who operated gundelows for Frost were Robert Lapish, Stephen Starbird, Joseph and John Yeaton, and Benjamin Chesley. Names of two of the gundelows were the *Royal George* and the *Old Pinkham*.

The volume of records for the Frost packets (1818–1822) is also

[6] Saltonstall, *op. cit.*, pp. 180–191.

[7] D. Foster Taylor, "The Piscataqua River Gundelow," *American Neptune* (April, 1942). Taylor traces the various spellings of the word, and finds that "gondola" might be used when speaking of a boat for carrying passengers only, "gondela" of one for passengers and freight, and "gundelow" (pronounced gun-low) for freight only.

of interest: in general, the packets were faster, more expensive, and carried less freight than the gundelows. There are columns for "chargeable freight" and "paid freight," as well as "chargeable passengers" and "paid passengers." The fare for passengers seems to have been 8 cents. Names of the packets were the *Dolphin* and the *Mentor*, and operators at various times were George Hull, Stephen Twombley, Samuel Yeaton, and Presson and Chesley. The packet left frequently but irregularly for Portsmouth; for instance, on April 6, 1818, there is a note: "packet did not go down." George Frost went on May 9 with a party of six, and a group from Lee went to the Isles of Shoals in September, at a total charge of $5.00. The packet operators usually received $20 a month, but Stephen Twombley received $26 and victuals at Durham in 1822. Laborers on the packets, such as Samuel Drew in 1820, were paid $12 a month, and further agreed "to do own washing and mending and not to run said Frost in debt for meals in Portsmouth but to be furnished with provisions by said Frost to carry with me."

Some of the letters also give further information on transportation by packet and gundelow. On July 24, 1810, George Hull wrote to Messrs. Haven and Woodman, of Northwood, offering to carry their shooks for 3 cents and their boards for 3/6 shillings. He stated that he could carry any article "as cheap as gundola men can." The importance of the first Piscataqua Bridge is shown in a letter from B. Brierley, of Portsmouth, dated March 1, 1817. He wished to have boards sent "when the ice would permit from Piscataqua Bridge where some that are for the same vessel now lies. Probably as there is now plenty of snow you could easily have them transported to the Bridge." And Charles Cushing, writing from Portsmouth on July 5, 1823, blames the packet men for the fact that his staves have not arrived. He states, "It seems that there is not the least confidence to be placed in the Packet Masters – such is there [*sic*] animosity toward each other, that we are very much incomoded – they are more intent on injuring themselves than attending to their duty." Taylor says that the packets had practically disappeared by 1860; on the other hand, the last gundelow out of Durham, according to him, left in August, 1889, with a load of bricks for Portsmouth Navy Yard, under Captain Edward H. Adams.[8] A colorful period passed with the last of the packets and gundelows on Great Bay.

Agreements with tenant farmers and with packet men have been described; other labor provisions are also of interest. General labor was paid anywhere from $8.00 to $10.00 a month, with frequent pro-

[8] Taylor, *op. cit.*, *American Neptune*.

vision that a portion (one-half to two-thirds) be in goods. Often incentives were applied, such as extra cash if the man proved faithful and a good worker. One worker was to receive one-half his pay in money, if satisfactory; otherwise, only one-third. Another man was to receive one-third cash, but to forfeit it if drunk. Still another worked a few months for board and a reasonable supply of tobacco. There are notations as to deductions for absence, and one man was to pay a forfeit every day he was absent in haying time. The list of workers is a long one, ranging from woodsmen to farm laborers to captains of the packets, who were the aristocracy among the laborers. Frost's own chief clerks can be traced through the records and the signatures to letters. John S. Woodman served at $9.00 a month from 1806 to 1808. Joseph Frost, of Newcastle, worked for his relative from 1809 to 1812. William Woodman filled the post from 1813 to 1815, and John P. Mellen, who married Frost's daughter, Mehitable, in 1823, served from 1816 to 1821.[9] Then William P. Frost began work for his father, and soon he and his brother, George, were more or less on their own.

George Frost II entered into several agreements or partnerships with persons carrying on similar businesses in other towns. I have mentioned how Ebenezer Coe was placed in charge of Frost's store in Northwood in 1810; later, he seems to have gone into business on his own. Frost entered into an agreement with Haven & Woodman in Northwood in 1810, the former supplying some of the stock. The business did not succeed, and in 1817 Frost was writing to Haven concerning a suit against him for money owed to Frost. In 1816 Frost entered into an agreement with William Woodman, of Barrington. By its terms Frost was to be actual owner of the store built in Barrington in 1815; Woodman was to occupy the building, have wood and the oxen to haul it free, and be entitled to store goods free in Durham. His board, freighting, and taxes were to be paid out of the common stock, and profits were to be share and share alike. Woodman wrote for some goods in 1816, stating that "Dr. Woodbury has set up his son at his House and is making every exertion to injure our business that lies in his power. A proper assortment will be the only way to effect his intentions." The partnership was dissolved in December, 1819, whether because of young Woodbury's competition or not, the records do not show.

A few other business interests of George Frost II are still to be considered. Dealing in cord wood, as well as other lumber products, was almost a separate business in itself. Portions of the two

[9] A sister of George Frost II also married a Mellen.

wood and gondola books contain accounts of the various kinds of lumber in which Frost dealt. One of the largest buyers of fire wood was Fort Constitution, at Portsmouth; there are records of purchases starting in 1809 and extending to 1859. Generally, contracts were drawn up specifying the number of cords, the kind of wood (such as one-half oak, one-fourth maple, one-fourth birch), and the period of time over which it was to be delivered. In 1809 the agreement as to price per cord was $4.00, and the charge for freighting was 5 shillings a cord. Frost also encouraged home industries, as did other merchants of the time, including his father-in-law, John Burleigh. There are many entries in the account books, especially in the early years, for credit by tow cloth, by skeins of linen, and the like. The store sold wool cards, spinning wheels, and wool wheels. Some selling was on commission: for example, milk pails for John H. Lyons in 1809; a grindstone for Henry Mellen, of Dover; and seeds for the Shakers.

The position of the local merchant of that day, as a sort of squire of the village, led him into many peripheral activities. Thus, George Frost II became Durham's fourth postmaster on July 1, 1809, an activity rather closely connected with his business. By 1827 some persons felt that the post office should be moved to a more central location, the store of Richard Steele being mentioned. Frost would have none of this; he wrote to the Post Office Department: "I beg to inform you that I have put an addition to my store at the head of tide water on the north side of the river, extending to the butments of the bridge near which the Boston stage passes to Dover so that the stage driver can pass the mail into the store door without stepping off his seat . . . the bridge has always been considered the centre of the village." The Postmaster General decided against the change (though the matter came up again in 1832), and George Frost and later his son, George, remained postmasters until 1848. George Frost II was also actively concerned in the New Hampshire Turnpike, and held shares in the Portsmouth and Concord Wagon Company and the Haverhill-Dover Stage. He was called upon to handle many matters for the town; there are accounts for poor relief, for payments to the school mistress and the pastor, and charges for animals in the pound. Cooperative ventures are sometimes recorded, such as that of 1808 when Robert Presson subscribed a dollar "for blowing Odiorne's Rock so called." Entries like these make the records of particular interest to the local historian.

There are even occasional entries relating to hobbies and family matters which reveal something of the man himself. Frost was in-

terested in improving his knowledge; early in his career there is an entry for "John Smith Esq., Loving Land (Lubberland), Durham, by his teaching me the art of surveying." And in 1805 he was a subscriber for a dancing school in Durham. He sent his two sons to Exeter and his two daughters to Byfield Academy. When the daughters married, Mehitable in 1823 and Elizabeth in 1828, he treated both alike, as to gifts and wedding finery. He was generous to distant members of the family, and his home was always open to them. Certain financial reverses met with by his brother-in-law, Henry Mellen, a lawyer, also affected him. By the late 1820's George Frost II was ready to turn over the active management of the business to his sons.

The period of family business transition in the 1820's is a confusing one, but the main threads are clear. Starting in 1821 the Frost enterprises split up into several parts, to come together again in 1827 under G. and W. P. Frost, the sons of George Frost II. The first segment seems to have been Mellen & Frost, the former being Frost's son-in-law and former clerk. George Frost II put in stock to the value of $1,208.84, and among items which Mellen acquired from his former employer was a writing desk. The venture lasted only until 1825, and John P. Mellen later had his own store in Dover. The next segment was Mooney & Frost, which started in 1826. There are several invoices of goods, by one of which George Frost paid a half share, or $353.42. There is a charge in 1831 "for the late firm of Mooney & Frost" for $40 per annum for rent of the brick store and $15 per annum for use of the wharf. George Frost III was concerned in this venture with John Mooney, and although the business was ended by 1831, a few small accounts were carried on the books as late as 1873. In this period of the 1820's the two sons of George Frost II seem also to have ventured each on his own. There are account books for George Frost III (1825–1826) and for William P. Frost (1826–1827). The latter received $300 for his services as clerk for the three years, 1823–1826, which was accounted for in 1839 at interest of $246. In fact, even after the two sons had joined forces in 1827, they continued, so long as their father lived, to credit him with rent for the store and wharf and charges for their board. One entry neatly balances accounts in this way: "to our labor done for you since Nov., 1827 to Feb., 1839, $1098.43, being amount charged by him for rent of store, use of wharf and horse keeping." After George Frost II had turned over the business reins to his sons he occupied himself with management of the home estate, the farms,

and other outlying properties until his death in 1841. His was a full life, and he left a good inheritance to his children.

The story of the business under the name of G. & W. P. Frost can be sketched but briefly here. In 1832 the firm suffered from the failure of a creditor in Boston; Prentiss Mellen, of Portland, wrote to his relative, George Frost II, expressing his concern. In the period from 1834 to 1837 there was business in mill stones for the Gilford Manufacturing and Mechanic Company. Supplies were still being ordered from Crockett & Seaver in Boston. The building of the railroad in 1841 is reflected in the account books by entries for laborers, such as one Patrick O'Brien. In 1845 there is indication that the Frosts were interested in the Thompson sawmill in Nottingham. The following year the Frosts acquired the Schooner *Mary*, for use in fishing trips and also in the coast carrying trade. An agreement of 1849, with Captain Albert Wilson, of Kittery, provided that he should take a half interest in the vessel for a fishing trip to Labrador. The Frosts were to advance payments for outfitting and insurance, and Wilson was to pay one-half the interest on such advances, as well as one-half the costs. The Schooner, which of course sailed out of Portsmouth, not Durham, was lost in 1854. There is considerable correspondence in 1858 with H. D. Cooper & Company about ploughs; the supplier expected the Frosts to pay freight, and the latter asked that no more be sent by the railroad, as it was too expensive. In 1860 the Frosts entered into an agreement with the Pinkhams regarding a fish weir. There was a partial settlement in 1865, by which William endorsed over to George the sum of $1,947.61, in various notes held by him. There was another settlement in 1878, in which George's board with William for the thirteen years since 1865 was figured at $2,145.00.

A map of Durham of 1871 shows two uptown stores belonging to the Frosts, one at the junction of the road to Dover and one in the brick building opposite the church. George Frost III was inventive; stored in the barn even now are examples of apple corers which he developed. He was also active in the temperance movement. He remained unmarried, and died in 1879. This event marked the beginning of the end for the business in Durham. Although the accounts continue until 1884, the old building by the river was cleaned out in the early 1880's, and was torn down upon the death of William P. Frost in 1893. A cousin of the Frosts, Mr. H. B. Churchill, who died recently in New York at the age of ninety, remembered the building as being one story and an attic, with a brick foundation built into the hillside. The high basement was suited to the storing

of farm implements. The Edgerlys took over the Frost general store business in Durham.

How profitable was the Frost enterprise and what was its place in Durham's history? From the records we have it is difficult to draw up any kind of net earnings figures for a given year or period. But from the many property holdings of George Frost II, from his way of life and that of his family, and from the assistance which he was able to give to his sons and others in starting them in business, we may assume that he was quite successful. The business changed as the times changed. From the far-flung activities of a general merchant (though not, except at the first, concerned with overseas trade), the business contracted until in the end it was pretty much a general store. This development followed changes in the community, as the coming of the railroad and the building of additional roads made Durham less of a transfer point. For some reason the Frosts did not try to expand into other fields, such as textile manufacture, a development which did occur in the nearby town of Newmarket. There were other stores and merchants in Durham, among them Thompson, E. & A. Smith, Odell, and Steele. But in Durham's greatest period as a port, from about 1785 to 1830, the Frosts were certainly the leading merchants. Theirs was the preferred location and they were the leaders: in business by the river and in society on the hill. Durham is fortunate in having the key business of this interesting period so well documented; it is to be hoped that some scholar will sometime make a more thorough study of it, and of the earlier Frost enterprises.

Local Entrepreneurship in Saudi Arabia

What happens when a major modern enterprise is abruptly superimposed on a country where business patterns have been fixed for centuries? One of the most interesting reactions is that by entrepreneurs in the national population. Adaptation, imitation, and eagerness are characteristic responses, and these go remarkably far in solving the problems of carrying on a twentieth-century business in a fifteenth-century economy.

by Richard N. Farmer

ASSISTANT PROFESSOR OF BUSINESS ADMINISTRATION AT AMERICAN UNIVERSITY OF BEIRUT

In another day, in another world, Suleiman Saleh Olayan might have been a bazaar merchant in Anaiza, north-central Saudi Arabia, haggling with camel drivers guiding their caravans across the deserts. In such an environment, there would have been plenty of time – for talk, for thick black coffee, and for staring at the stars, pondering the ways of God. Suleiman, a short, stocky man who incessantly puffs on American cigarettes, is in fact far removed from this picture of the typical Arab merchant; rather, he resembles a Midwestern American businessman, talking earnestly about

demand, market conditions, and problems of business organization.

In another day, in Palestine across the desert, Ghalib Aidi might have directed his peasants to his small plot of land, sat with cronies in his village, and relaxed in the sun, knowing that nothing had changed since the time of Christ. But the Arab world does not stand still in this century, and Aidi became the model of the rising hired manager: ambitious, energetic, anxious to do a better job.

The remarkable way western oil developments have transformed these two lives is the subject of this article; Olayan and Aidi symbolize a new way of life in Saudi Arabia.

When Suleiman Olayan was born in the provincial town of Anaiza in north-central Saudi Arabia in 1920, the country had been dozing for centuries under the hot desert sun. The society was static, poor, tribally oriented, and completely underdeveloped by any economic or social criteria. The area was in fact not yet a nation; the elder King Saud was still involved in the military campaigns that were forging the Saudi nation. It was not until the early 1930's that this consolidation was complete.[1]

In 1920 there were no communications systems, no public schools, no manufacturing industry, no mechanized transportation, no credit facilities of importance, no foreign concessions. Standards of living were incredibly low for the entire population. The basic economy consisted of animal husbandry and oasis type agriculture; the *bedu* roved the semiarid sections, seeking water and fodder for their camels, goats, and donkeys, while the sedentary oasis dwellers provided dates and some vegetables, as well as a few handicraft type necessities to the *bedu*. Per capita income before World War II has been estimated to be as low as $25 per year. Exports were almost nil, consisting of a few animals and animal products to neighboring countries, as well as a few dates to Persian Gulf and African destinations. Pearl fishing in the Persian Gulf area provided a meager livelihood for citizens of the barren Eastern Province, although this income was shared with pearlers from Bahrain and Kuwait. The principal source of income for the country was pilgrim receipts from travelers to Mecca. One result of this pilgrimmage was to concentrate most economic activity in the Hijaz Province, especially in the cities of Medina and Jiddah.

Suleiman Olayan's family would be considered upper-middle-class by sophisticated Westerners, as his tribal relations were better

[1] Roy Lebkicher, *Handbook for American Employees*, Vol. II (New York [?]; Aramco, 1952), p. 64.

than average. But Anaiza was a small town, with limited water supplies, producing a few fruits and vegetables and serving as one of the centuries-old way stations on camel caravan routes to the East via the Arabian Peninsula. At birth, Suleiman could have been expected to become a merchant in the local bazaar, following a business pattern ancient even in Christ's time, or perhaps a local grower of produce, carefully calculating his available water supply to insure maximum production within the limits of the primitive agricultural methods known in the region. A few of the 25,000 inhabitants of the city [2] and the travelers who passed through on their way to the coasts would be the only people he would ever know. In the two-thousand-year recorded history of the Arabian Peninsula, few inhabitants had known any different life.

In recent times, from the mid-nineteenth century to the 1920's, caravan traffic had been declining, since better alternate routes had been developed through Suez and, in the 1920's, by motor vehicle across Syria to Baghdad. By the early 1930's, Japanese competition in cultured pearls, plus the Great Depression, had also ruined the pearling trade. When Suleiman was a boy, his economic prospects were actually worse than his father's or grandfather's. Even the traditional occupations of bright young men in underdeveloped countries, the army and the church, offered poor alternatives in Saudi Arabia during the 1920's and 1930's. Although considerable fighting was taking place at this time, the armies involved were relatively small. King Saud himself was the supreme commander, and numerous relatives commanded smaller units. Saudi Arabia is 100 per cent Moslem, and the church offered sharply limited opportunities because there is no priestly hierarchy in this faith.

There are few success stories in business in Saudi Arabia prior to 1947. The absolute lack of opportunities precluded advancement for even the most gifted and determined individuals, unless they happened to be born into favored families.[3] The Western Saudi merchant houses of influence trained their sons for the firm, and outsiders were seldom admitted. Occupational status and skills were largely inherited; few were able to change the traditional pattern. The society presented a perfect example of static economic patterns, stabilized at low levels by ignorance, tradition, and resources. But

[2] No census has ever been taken in Saudi Arabia, and all population figures are estimates. This estimate was made in 1947, taken by K. S. Twitchell, *Saudi Arabia* (Princeton, 1953), p. 67. It is unlikely that the population was significantly different in 1920.

[3] There are a few Horatio Alger stories in government during this period, most notably that of Abdulla Sulaiman Al Hamdan, the ex-finance minister, who attained this post in 1925, after being a slave. But the importance given to family lineage on the male side in Saudi Arabia made it almost impossible for men of ability without regal family backgrounds to get ahead.

residents of Anaiza were more fortunate than most Saudis. As a caravan passage point, some knowledge of the outside world was constantly filtering through the town, though in fact few persons cared to know much about the strange lands beyond the distant desert coasts to West and East.

During the 1920's the use of motor vehicles and other petroleum-using equipment continued to rise spectacularly in the West; already the first of the dire prophecies about the exhaustion of oil resources was beginning to be heard. British interests had begun petroleum production in Iraq and Iran. In the late 1920's some interest was demonstrated in petroleum exploration on the island of Bahrain, a few miles off the coast of Eastern Saudi Arabia in the Persian Gulf. Few Saudis knew or cared about these events; hardly anyone knew anything about the West, and local political developments absorbed the interests of the few sophisticates.[4] A nation was in the making, and critical religious and political issues were at stake.[5] Least of all in Anaiza did citizens concern themselves about internal combustion engines and other petroleum-consuming devices; at that time, no one in town had ever seen a motor vehicle, or, for that matter, any other piece of mechanical equipment. Saudi technology was rooted more firmly in the fifteenth century than in the twentieth.

The major area of innovation in Saudi Arabia has always been in the West near Jeddah, since the majority of Moslem pilgrims from all of the Moslem world passed through this area, bringing with them stories and products of other regions. Jeddah was until 1950 the major port of the kingdom; its merchant houses date back hundreds of years. By the 1920's some of the modern amenities were known, and merchants carried lines of Western manufactured goods. Similarly, in the Persian Gulf region until the 1930's the pearling trade brought some foreign income, and a few merchant houses and pearl dealers had been established for many years. The Saudi ports were generally undeveloped and unimportant except to local sailing craft, since the shallow depth of the harbors prevented entry of large steamships. Local traffic was handled exclusively by Arab dhows.

In 1929, Ghalib Aidi was born in the village of Mughar in Palestine. Unlike Suleiman Olayan, his prospects and alternatives were somewhat diverse, since Palestine had been a British Mandate since

[4] King Saud himself knew a great deal about the British, as his expansion plans were beginning to run into British opposition in the late 1920's in Transjordan and Kuwait. But the face of the West he saw was that of Great Britain as an imperial power, and virtually nothing was known in Saudi Arabia at that time about the other facets of Western economies.

[5] The story of King Saud's struggle to develop an independent Saudi nation, together with the political and religious issues involved, is excellently covered in Lebkicher, *op. cit.*, pp. 44–47.

1919 and the country had experienced much development and Westernization. Although his parents were landholders, Aidi could consider becoming a clerk in the civil service or a businessman in the newly awakened cities of Jerusalem or Haifa. Palestine had been for centuries a crossroads of many cultures and nationalities; economic development had progressed substantially since the medieval period. But most likely Aidi would look forward to the life of a small landholder in Palestine, directing his few peasants in their daily work, while spending most of his time sitting in the village discussing politics and local gossip with his neighbors. His father had done this, and his grandfather before him. Change seemed impossible, and events in Europe were far away. To be sure, the Jews were arriving in numbers, fleeing the pogroms in Europe, and the Palestinian Arabs were feeling a nervous apprehension about the encroachment of a different race. And yet, under the pleasant Palestinian sun, world events seemed very far away. It was enough that local life continued as it had for centuries.

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In 1932, petroleum was discovered for the first time on Bahrain Island. At the same time, Suleiman Olayan (his father having died) was sent by his uncle to Bahrain for his education.[6] Bahrain was a British protectorate, and it was possible at this time for an Arab to obtain a good primary education and learn the English language.

The Bahrain petroleum discovery suggested that further possibilities existed in Saudi Arabia. After complex negotiations,[7] the predecessor of the present Arabian American Oil Company (Aramco) in 1933 obtained the initial concession in Saudi Arabia from the Elder King Saud. For some years exploratory work was carried out; by 1939 oil in commercial quantities had been discovered. Work was continued on facilities for exports until 1940, at which time some 371 Americans and 3,300 Arabs were employed by the company.[8] For the Arabs, it was their first chance in hundreds of years to move out of traditional occupations. When the United States entered the war, the immediate result was a drastic curtailment of operations. Until 1944 development was at a minimum. The Saudi

[6] In a society with high death rates and no concept of life insurance, tribal and family relationships become extremely important in this type of situation. It is the duty of such relatives to look after their nephews in Saudi Arabia. Suleiman, incidentally, now has an agency in Saudi Arabia which sells life insurance quite successfully – the majority of policies being written for foreigners, although a few are written for Saudis. Perhaps this is an indication of the weakening of such family responsibilities.

[7] See Lebkicher, *op. cit.*, Vol. I, pp. 23–29, for a complete story of this concession.

[8] *Ibid.*, p. 41.

Arabian government was assisted financially by the American Lend-Lease program in lieu of oil royalties.

Then the growing demand for oil for war created a need for oil refining facilities in Eastern Saudi Arabia, and in 1944 construction was started on a 50,000-barrel-per-day refinery. Although this refinery was not completed until after the war, the resulting building boom it generated continued well into the 1950's, as Aramco tried successfully to keep up with expanding demand. At present, output of crude petroleum in Saudi Arabia averages over a million barrels per day.

The production of this enormous amount of crude oil, plus the development of a refining capacity of over 50 million barrels per year, meant investment in Saudi Arabia on a scale undreamed of in previous times. While a good portion of the investment funds was spent for capital equipment in the United States and Europe, the installations in Saudi Arabia required large local expenditures as well. Moreover, the construction of the Trans-Arabian Pipeline (Tapline) to carry crude from Saudi Arabia to the Mediterranean required large numbers of workers and auxiliary facilities.[9] Added to this investment expenditure was the substantial purchasing power of both foreign and Arab personnel, many of whom had never had cash incomes before. For a few years (1949–1952), Saudi Arabia resembled a western mining boom town, as investment in facilities continued apace. By 1951, capital investment was $576 million, as compared to $29 million in 1940.[10]

During this expansion period, Aramco took the position that it was only interested in the oil business. The company's policy toward outside work, either to serve the needs of employees or to create non-petroleum-producing facilities, was that such activities should be handled as far as possible by local contractors. This policy was developed during the war, when the company found that local contractors could often obtain labor more easily than could the company itself. Moreover, the quality of work turned out, especially on routine jobs such as the construction of buildings, was adequate for company requirements. In 1946 Aramco set up the Arab Industrial Development Department to handle its relations with national firms.[11] The general idea behind this department was to assist Arab contractors in meeting rigid and thoroughly modern Aramco contract specifications. Emphasis was on advice and assistance, for Aramco seldom

[9] Twitchell, *op. cit.*, p. 197. Two thousand Americans and 14,600 Arabs took part in this construction work.

[10] Carleton S. Coon, "Operation Bultiste," in *Hands Across Frontiers*, eds. Howard M. Teal, Jr., and Peter G. Frank (Ithaca, 1955), p. 313.

[11] *Ibid.*, p. 323.

[8] *Ibid.*, p. 41.

supplied any funds. It has always been up to the contractors to obtain their own money.

The petroleum-producing development in Eastern Saudi Arabia was superimposed on a static, subsistence-level society which could offer no amenities to foreign or Arab workers. Hence, much of the contract work done in the earlier phases of the project was only indirectly connected with oil: for example, the construction of workers' housing, road making, sanitation systems, and the like. All of these facilities were made necessary by Aramco's operations; the actual construction in most cases was turned over to local contractors. The demand was not small by Saudi standards; some $17.2 million was paid directly by Aramco to local contractors in the period 1949–1951 alone.[12]

In addition to this contracting demand, which was of course direct and relatively predictable, a larger derived demand, which was immediately apparent but not easy to exploit, arose from Aramco operations. Some $53.9 million in wages and salaries were paid in Saudi Arabia by Aramco during 1949–1951; most of these funds were spent in local markets. In addition, the payments to contractors, which in large part took the form of payments to workers, also were spent on consumption. The multiplier was at work, and Saudi businessmen interested in consumer demand found a ready and growing market.

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Most of the Aramco investment took place in Eastern Saudi Arabia. But, as noted, most of the earlier economic development, such as it was, occurred in the West. Hence, the established Saudi merchants at first did not benefit from the Aramco business to any extent. Today the coasts of Arabia are connected by airline service; before 1946, the only means of traversing the peninsula was by camel or truck over a rough track. This is still the only land transport method. Without any decent communications network, the two coasts of the country developed along separate paths. The entrepreneurs in the East were typically Aramco employees who became aware of contracting opportunities through their contact with the company and who were encouraged by the company to set out on their own.

Suleiman Olayan followed this typical pattern, entering business on his own account. During the war he worked for Aramco, first as a roustabout in the oil fields, and later as a clerk. He had one major advantage over most of his Arab co-workers: his education included

[12] *Ibid.*, p. 341.

English. In Aramco, he had a chance to see modern organizational methods in business for the first time. For the first time, also, he had the opportunity to talk to Americans and other foreigners. While nothing in his earlier life had prepared him for this type of work, it was obvious that the foreigners had something that was worth copying. The growing structure of oil installations and the distribution complex necessary for successful operations were visible proof of the superiority of such methods and knowledge over traditional Saudi ways. Some Saudis sulked, others accepted the bounty as a gift from God. Suleiman watched and learned.

His first business venture started as the General Contracting Company (GCC), which followed the typical pattern of obtaining contracts from Aramco for construction of buildings, piping, sand and gravel haulage, and the like. Suleiman was one of the first independent contractors in the field, starting operations in 1947.

In the years from 1950 to 1952, Suleiman did extensive contracting work for Tapline, which was then under construction. He had the contract for supplying all non-American welders who worked on the project. For this Tapline job he was paid on a piecework basis, after American inspectors had approved the welding work. It was a successful practical education in quality control because Tapline's standards were exceptionally high. During the construction he also held mess and sanitation contracts at all pumping stations on the line, as well as a contract to build the steel and concrete "H" shaped supports for the pipeline when it was laid above ground. At one time during the construction period he had over 3,000 workers in his employ and was operating one of the largest firms in the Arab world. Before Aramco, no Saudi firm had ever employed more than a few score employees.

Except for his Aramco experience, there was nothing in Olayan's background that prepared him for his role as a modern businessman. Traditional life in Anaiza contained no precepts which could remotely apply to the situation, and much of his first few years consisted of trial and error experimentation. One of the major difficulties was in obtaining adequate labor; no one in Saudi Arabia had ever produced anything mechanical and workers with skills were, and still are, in short supply.[13] Suleiman recruited welders for the Tapline contract in Bahrain. Truckdrivers, regarded in the area as skilled workers, usually had to be trained within the firm. Since the

[13] One of the major reasons that Aramco and Tapline relied on native contractors was the ability of those contractors to obtain scarce labor. Many of Olayan's contracts during the Tapline construction period were in effect labor contracts, with Olayan receiving a fee for providing the proper quantity and quality of labor. In other cases, he was also responsible for the job, as well as his own labor supply.

bulk of the population is illiterate, one of the first problems was to teach candidates to read the engine instruments; burned-out bearings and other avoidable mechanical breakdowns plagued Saudi contractors from the start.

One innovation which Olayan used with some success was to send labor recruiters to Beirut, Lebanon, to attempt to obtain skilled workers, especially Palestinians who had been forced to flee their homeland. One of the men his recruiter managed to obtain was Ghalib Aidi, who was at loose ends after leaving his country in 1948. For the most part, the Palestinians were not a good risk in Saudi Arabia; they were used to more civilized conditions and amenities than could be found in the primitive camps along the Tapline route. Moreover, the Arabs were not eager to assist the Palestinians for political reasons and did not welcome their competition in the labor market. Aidi stayed, however, to learn the job.

Another serious problem which Suleiman Olayan began to experience soon after his spectacular expansion was the need for good middle managers. The concept of a hired manager is alien to the Middle East, except in foreign companies; few firms had ever been large enough to employ managers outside the family group. But Olayan could not handle 3,000 men by himself; after various men had been tried out, in late 1950, Aidi was placed in charge of the bulk of Tapline contracting operations. Olayan himself moved back from Tapline to the Eastern Province and continued construction and labor contracting for Aramco, which at this time was constructing additional distribution facilities in the producing areas designed to link with Tapline and the coastal Ras Tenura refinery.

Olayan also used American managers, insofar as he could obtain them. The difficulty was that they tended to leave after their two-year or three-year contract period was up. Saudi Arabia is not the most hospitable location in the world for foreigners.

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After mid-1952, the big construction boom in Saudi Arabia began to taper off. Contractors found it difficult to obtain enough work to keep their crews busy. Olayan worked for awhile on the Dhahran Air Force Base of the American Air Force; at the same time he completed various contracts for Aramco. Unlike many of his competitors, he apparently foresaw that construction activity would end as soon as Tapline and the Aramco installations were completed, and he began to experiment with other fields, most notably butane gas and contract trucking.

Aramco was anxious to have someone take over the bottled gas business, since the gas was virtually a free good in Saudi Arabia, requiring only compression and tankage to ready it for market. Olayan purchased the basic equipment and rights from Aramco in 1952. This venture was a significant step because prior to this time his activities had been basically concerned with production enterprises that grew out of demands, always known in advance, from Aramco and Tapline. The primary demand for butane gas, however, came from consumers, who had to be persuaded to buy. The gas is not salable unless the consumers have proper cooking stoves and heating equipment. The major marketing problem was to sell equipment which could utilize the service. This has been done successfully, although rather slowly, and steady growth of the business has continued to the present time.

Olayan also engaged in trucking as a sideline to general contracting, one of the first big hauls being a 1952 contract to transport supplies to the construction site of the Dhahran Air Base. As Olayan gained both experience and equipment, he was able to obtain a contract with Aramco for supplying Tapline pumping stations with refined petroleum products as far up the line as Turaif.[14] He also handled government and commercial refined products hauling along the line. At the same time various contracts were made with Aramco for dry cargo transport in the Eastern producing regions. Common carrier haulage was also undertaken for Saudis, including the government, who needed transport. In this trucking business, the problem again was production. Most Saudis had never seen a truck until Aramco arrived in force just before the war; now they were being paid to drive them.[15]

Olayan set up a separate firm to operate the butane gas business, while the General Contracting Company gradually dropped all contracting. By late 1953, the firm only had some 200 employees, finally emerging in 1955, after a rather shaky period of retrenchment, as a transportation company alone. Suleiman had survived his first depression.[16]

Ghalib Aidi remained as a professional manager in charge of operations, as did several Americans. The size and complexity of

[14] Turaif is the last Tapline station before the Jordanian border, and was only supplied by General Contracting for a short period. Later this station was supplied by Lebanese refineries; General Contracting now carries the fuel as far as Badaneh, in the center of the line and desert.

[15] A classic story of mechanization in Saudi Arabia is that of the Bedouin, who, on seeing his first airplane land, asked, "Is it male or female?" By now the same man might well be a CAA certified mechanic.

[16] Note that this was a classical capital goods depression – when Aramco's and Tapline's major investments were complete, there were no investment expenditures available to take their place. It was the first business fluctuation in Saudi Arabia in 2,000 years.

the company made it imperative to have skilled and qualified managers available. Since no one in Saudi Arabia had ever run a trucking firm before, it was necessary to train men on the job. Olayan has always realized that his companies were only as good as the men managing them, and the complete lack of skilled managers in the region has led him to start his own private program of managerial development. Aidi went to Beirut for special managerial training at the American University, probably the only trainee of this type in the entire Middle East.

As noted earlier, Saudi Arabia is not the most desirable place in the world to live. There are no movies, TV, whiskey, or visible women,[17] and Olayan's experiences with managers and skilled technicians has, for the most part, been unhappy. The general tendency is for the foreigners, including Arabs from other countries, to go home as soon as possible. The few qualified Arab managers usually have good alternatives in more pleasant environments in the Arab world.

Managerial talent is not the only manpower problem. In a country where perhaps 90 per cent of the population is illiterate, the mechanics, drivers, clerks, accountants, and other technicians are constantly in short supply. The best source of supply is Aramco itself. Olayan has conducted various training programs and men can be lured away if the price is right. The other Arab countries, most notably Palestine and Lebanon, have also furnished their quotas, although such imported laborers tend to stay only long enough to accumulate a stake.

The General Contracting Company was organized as a corporation in the early 1950's, although all stock is held by Olayan and close associates. This in itself is an innovation, since the concept of the corporation is new to the area. The small size of local firms, plus the intricate personal obligations and relationships common in the Moslem world, has made the limited liability concept relatively useless until quite recently.

Finance has been a perpetual headache for all contractors, since the money markets in Saudi Arabia have been less than rudimentary. Major sources of funds have been retained earnings, family funds, loans from friends. To a lesser extent in recent years the publicly held corporation has been utilized, but local individuals with money to spare have been reluctant to invest in such unfamiliar ventures. The magnitude of capital requirements has been enormous by Saudi standards. Olayan, for example, has over 250 vehicles, rang-

[17] Movies are shown to Americans only; there is a military TV station now in operation at Dhahran, but recreational activities are extremely limited.

ing from small sedans and pickups which are leased to Aramco to the largest semi-truck and trailer combinations, which cost up to $50,000 each. In the prewar period, a Saudi firm with as much as $50,000 in total assets was considered a large-scale operation.

Financial matters are traditionally secret in the Arab world, but it appears that Olayan obtained his initial capital from savings from his Aramco pay, plus some borrowing from friends. In later periods, internal financing from profits was used extensively, and in recent years both Arab and foreign banks have established branches in the Eastern Province which make business loans in the usual Western manner. Inventories and other assets are commonly used as collateral. Aramco has never, as a matter of policy, lent the contractors money.[18]

Gradually the General Contracting Company has settled down to relatively stable operations as a trucking line, serving Aramco as its major customer. Aramco has also helped greatly by offering technical advice where needed, serving, in a sense, as father confessor, instructor, and big brother, especially where any type of business knowledge is concerned. The great difficulty faced by Western companies wishing to do business with local firms has been in getting people to learn new ways. Olayan, however, was astute enough to realize that everything he knew was irrelevant to the existing situation. He quickly learned to listen and ask questions before he moved. There was no other way in Saudi Arabia to learn the complex job of modern management. Olayan also traveled to the United States and Europe in 1953, 1955, and 1958. These were more than pleasure trips; he spent much time finding out how business problems are solved by the best Western techniques.

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All of the business skills of Suleiman Olayan were unknown to him even in broadest outline until he left school in the late 1930's. In Bahrain he gained some grasp of Western techniques and practices, but this was superficial at best. Born in the Stone Age in Anaiza in 1920, none of his early training or environment could be applied to his new business activities. The only possible chance for success was to forget everything and start anew; fortunately in this case there were no tribal or religious taboos against such behavior. Curiously enough, the shock of transition to the complex twentieth century economic environment was not great. Suleiman Olayan often

[18] Coon, *op. cit.*, p. 324. Occasionally the company has lent sums in special situations, but normally it makes no loans.

acted as a child might behave when suddenly thrust into a candy factory. Everything was new, interesting, and quite beyond any conceivable boyhood dreams. No wonder of the West was too great, simply because all of the Western impact was completely unimaginable.

Olayan is one of many successful entrepreneurs in the region, and the example of such men suggests that the transition to twentieth-century business techniques has not been particularly difficult for all Saudis. In Olayan's case, the adoption of Western methods is not superficial; indeed, it could not be, if success were to be achieved. It is not to be inferred that Aramco has pampered the nationals with whom it deals, nor that the Saudi businessmen give Aramco their unmixed blessing. Plenty of hard bargaining goes on over rates and prices. Most contractors, entertaining the usual hope for a soft deal and a handsome net return without great effort on their part, have learned that Aramco is not a charitable institution. They also fear the monopsonistic situation that exists. Aramco is *the* buyer, but to its credit the company has used its power judiciously.

The oil company insists on high standards from its contractors and makes no effort to give anyone a special deal. This attitude is exactly what would be expected of a large buying company in the United States; the contract standards are published, details are discussed with the bidders, and the low bidder gets the contract. The General Contracting Company has gone a step beyond this technique, since with Aramco's help it has prepared a trucking tariff which applies to all shipments, including those for shippers other than Aramco. Recent evolution of General Contracting suggests that it will eventually operate in a manner similar to all American common carriers.[19]

The effect of Aramco's sudden and enormous investments in Saudi Arabia has been to push local business development ahead by hundreds of years. For the first time in Saudi history, local firms were confronted with massive buying power in both the capital and consumer goods sectors. During the peak of the expansion in 1949–1952, demand was so large that new firms could sell almost anything that they could produce. The major difficulty created by this unprecedented demand was that the budding national entrepreneurs had to learn a completely new set of business rules before they could

[19] Operating in an underdeveloped country does have some advantages. Saudi Arabia has not yet passed a transport law; there are no entry, rate, or financial restrictions on carriers. Aramco itself acts as a sort of private Interstate Commerce Commission vis à vis the truckers with which it works, but the trucking companies have freedom of action which would seem unbelievable to American trucking managers.

expect to survive and be successful in the dramatically altered environment.

In retrospect, the greatest problem for the Saudis was production, and the greatest advantage was a large and known demand. Suleiman Olayan did not have to worry about marketing until he had been in business for more than five years. By then he had enough skilled managers and technicians available to concentrate on marketing with considerable success. This ability of the new Saudi businessmen temporarily to ignore demand is particularly significant when one recalls that in other underdeveloped countries the major stumbling block to the creation of new local firms has often been ignorance of market potentials and the inability to establish effective marketing channels. If Aramco leaves, the marketing problem would be critical, but the company apparently is not likely to pull out in the foreseeable future. Recognition of this single firm as the chief market supporter has led Olayan and others to consider diversification into other Arab countries, although to date this has not resulted in tangible development activities. Olayan can realistically consider operating in competition with other Arabs in any country in the region. He has learned enough to be competitive, if not overcompetitive, with any firm in sections of the Arab world considered more advanced, such as Lebanon, Egypt, or Iraq. He is astute enough to do well in the United States, if he tried, since he has one asset which not all Americans possess – the ability to learn new tricks. In large part this explains his considerable success.

Anyone who talks to Aidi and Olayan will immediately sense that they would not trade places with anyone, for they have discovered one further Western secret: when done in the American manner, business is fun.

From Business To Government

A Review Article

by Barry E. Supple
ASSISTANT PROFESSOR OF BUSINESS HISTORY
AT HARVARD GRADUATE SCHOOL
OF BUSINESS ADMINISTRATION

In many instances the recruitment of outstanding business executives for [federal] posts is both unfair to the individual and of no advantage to the executive branch.

On the whole . . . there is no class of people better equipped for public service than the businessmen.[1]

In January of 1952 the appointment of Charles E. Wilson as Secretary of Defense was for some time blocked by his ownership of over $2 million of General Motors stock. It was one of the ironies of the time that this stock was the tangible pecuniary evidence of the very business success which in large part explained his proposed move into high federal office. The ensuing controversy over the application of the "conflict of interest" principle, while it provided vast quantities of juicy fodder for political warhorses, also served to crystallize an equally fundamental administrative question as to the role of businessmen in government. This question — to what extent is it either efficient or wise to recruit top government officials from the ranks of private enterprise? — was one particularly apposite to the situation of the early 1950's. For on both practical and political grounds there was then a mounting pressure to bring business personnel into Washington hierarchies. But in fact it was an issue which, in different guises, had antedated by centuries even the commencement of hostilities in the Second World War. A recent study is a case in point.

[1] Two opinions quoted in John McDonald, "The Businessman in Government," *Fortune*, Vol. L, No. 1 (July, 1954), pp. 69, 158.

"Providence has arranged, for the mingled exasperation and entertainment of mankind, that the combination of sage and financial moron shall be a not uncommon type." The vivid irony of this and other sentences of an even more exhilaratingly labyrinthine character could have flowed from the pen of only one historian. R. H. Tawney's office, Professor Ashton once said, contains some of the greatest unwritten masterpieces of the twentieth century. Now, at long last, we have a new book by the dean of English economic historians. As we might have expected, the slow process of his historical and stylistic perfectionism was well worth waiting for. Tawney's *Business and Politics under James I: Lionel Cranfield as Merchant and Minister*[a] deals with fundamental questions of trade and finance during the first twenty-five years of the seventeenth century, and with certain aspects of official policy whose implications stretch forward to the contemporary scene.

Business and Politics takes as its focus the career of a successful cloth merchant and financial speculator whose reputation as an accomplished and efficient businessman earned him, successively, consulting work with the Jacobean government, full-time employment in departmental reform, and supreme control, as Lord High Treasurer, of England's fiscal policy. But Professor Tawney's book is both less and more than a mere exercise in biography: on the one hand he is concerned only with Cranfield's business and official life; on the other, he provides for his hero a dynamic backdrop of national commercial and financial developments. Since to Tawney and to his own contemporaries Cranfield epitomized the apparent rationality of the psychologically uncomplicated businessman of affairs, the result loses nothing by its restriction of biographical scope. It benefits enormously by its projection in economic depth.

Lionel Cranfield, to be created Earl of Middlesex in 1622, commenced his business enterprise in 1598 — shipping woolen textiles to Germany and Holland. It was not long before he augmented his work in this somewhat humdrum school with more exciting extracurricular activity in the virile and varied world which London's economic *milieu* offered to men of capital and daring. Like other "economic pluralists" in the upper stratum of metropolitan business he diversified his capital and skill, following the rule of profit, into government contracting, speculation in commodities and government grants, real estate transactions, banking operations, and money lending. By 1612 his net assets had undergone a tenfold increase. In that year he was twice called upon as a consultant to help guide a government, largely composed of amateurs in the field of business, through the intricacies of special problems in trade and finance. In 1613 he first trod the path of appointment to government office; a path whose dizzy ascent was, for him, more than matched by the abruptness of its ignominious collapse 11 years later. But as long as Cranfield's star still shone he brought a fresh reforming zeal in administration to the dark night of the Stuart government's departmental organization. Since this last was a miracle of gross inefficiency, the erstwhile business efficiency expert found abundant scope for his superior talents — as well as for the alienation of

[a] New York: Cambridge University Press, 1958. Pp. xii + 325. $7.50.

a host of men for whom unreformed waste had produced ample parasitic income. His specialty rapidly became fiscal reform — facilitating the inflow of royal revenue and plugging the man-made holes through which so much of it drained away — and after working with individual departments he graduated to the treasurership, assuming responsibility for the whole sweep of fiscal policy. But his real governmental achievements, based on a sincere allegiance to public duty, confronted him with insuperable political problems. In measure as he overhauled a system rotten with waste and corruption he made increasingly powerful enemies among those who stood to lose by the drying-up of the unproductive income they had derived from the unreformed administration. It was James I himself, "the wisest fool in Christendom," who put his finger on the barrier between Cranfield and final success: "All Treasurers, if they do good service to their masters, must be generally hated."

Professor Tawney handles this story, and the national economic scene in which it evolved, with a mastery which is uniquely his. *Business and Politics*, as a work of universal interest, does not, perhaps, quite measure up to *The Agrarian Problem of the Sixteenth Century* or *Religion and the Rise of Capitalism* or even, in the last resort, to his work on the landed gentry in the century (1540–1640) which has come to be known as "Tawney Country." Nevertheless, this latest book is sufficiently general to attract and satisfy a wide variety of readers. It spans, in its own way, although perhaps the author would not admit it, both economic and business history. Indeed, it demonstrates beyond all possibility of disproof that a history which devotes serious attention to the economic and political background to business structures gains as much in relevance as it does in interest. The principal interest of the book, naturally enough, will be for serious students of seventeenth-century English history, but this should not prevent many other devotees of economic history from profiting by its perusal. Any attempt to pass too firm a judgment on the work would be both presumptuous and out of place here. The subject matter is not sufficiently controversial to provoke the sort of bitter argument and criticism which have raged about others of Professor Tawney's writings. *Business and Politics* is a brilliant work of synthesis and technical biography, touching on many significant aspects of the period it discusses, and written with the deep historical insight and the stylistic pyrotechnics which we usually associate with its author. It suffers, perhaps, from one minor defect of one of its major qualities: Professor Tawney's prose is always a joy to read, but sometimes the brilliantly turned phrase which clothes a reference to some complicated aspect of the story will veil the reality of its content from all but the specialist reader. His best style is Olympian, and where he is tempted to employ it all the time it turns out to be not entirely suited to mundane, technical questions. However, this is to carp at the inevitable. *Business and Politics* is a welcome addition to the bookshelf of fundamental studies in economic history — not least because it provides the author with a rare opportunity to examine an outstanding personality in the world of business and government.

The "human interest" aspect of Professor Tawney's book is also, coincidentally, that which has a most compelling flavor for completely nonspecialist readers. For, at bottom, like most stories of reformers, it con-

cerns the clash of man and system. More specifically, it delineates the effect on an individual of his attempt to apply the rational techniques imbibed in one socio-economic organism (business) to the furtherance of ideal aims in another. From the resulting admixture of success and frustration not a little can be learned, by contrast as well as comparison, about the perennial problems of the possessors of business skills who attempt to apply them to the management of government institutions. The relationship between the abilities which made for success in business and those which tend to governmental effectiveness; the difficulties which the wielders of the former find in transmuting their gifts into the latter area; and the differences, over time, in the natures of business and government which ring the changes on these relationships and difficulties — all these are among the variety of topics which Tawney illuminates from a diversity of directions.

Historically, if not philosophically, there is considerable justification for a line of demarcation between politics and government — between action designed to influence policy-formulation from outside (or to determine the groups which shall be on the inside) of administrative power, and a direct continuing participation in the propounding and *application* of policy.[3] In some circumstances the two areas, as far as concerns the activity of business, have been conjoined. Thus the family and firm of the Medici in medieval Florence wielded both political and directly administrative power. At other times businessmen have joined together on an *ad hoc* basis to further specific political ends, as did the tariff lobby in early nineteenth-century America or the Anti-Corn Law League in England during the same period. And while, since the 1930's, there has been an increasing tendency to accept a high mobility of labor between private and public enterprise, there has also been a recent movement on the part of businessmen to turn their attention to the possibilities of more purely political action — either to advance their own special pleading or to stimulate, for the generalized benefit of the commonweal, political discussion and action on the part of the public at large.[4] However, to the same extent that political history has had a popular appeal greatly exceeding that of its forbidding Siamese twin administrative history, so the question of business in politics has secured, even if it has not always merited, a much greater attention than that of business in government.

The skilled administrator has always been an elusive as well as a rare animal. And governments down the ages have found it as difficult to indicate and train the talents they needed as to recognize and recruit those talents where they occurred in other fields of human endeavor. The twentieth century, with characteristic practicality, has combined a continued and expanded use of men successful in nongovernmental fields with formal institutionalization of the means of selecting and educating potential government administrators. But prior to the schools of public administration and the open civil service examinations for university graduates there was never any widespread and universally acknowledged educational road

[3] In this sense Professor Tawney's book might more meaningfully have carried the title of *Business and Government*.

[4] For this phenomenon and references to its literary manifestations as of the autumn of 1958, see *The Executive, a guide to reading for top management*, Vol. 2, No. 6 (Nov., 1958), pp. 17–20.

to work in government.[5] Instead, the state has more traditionally recruited its civil servants from the mature products of other occupations and walks of life. And in any case, in the twentieth century, a great number of top positions in administrative government are political appointments — not open to professional public administrators.

There have, of course, been societies in which membership in the aristocracy was presumed to provide *prima facie* evidence of potential administrative ability. Rome is a case in point here, as is nineteenth-century Russia. In others a grounding in the classics, it was assumed, developed intellectual capabilities which could be successfully exercised in the domain of public administration. Late nineteenth-century England in part adhered to this view and to a limited extent justified it. But over the long run in the West during the last seven hundred and fifty years perhaps the three most important *formal* sources of public servants have been the three *premier* professions: the Church, the Law, and the Army.

At periods, for instance the Middle Ages, where there was no cleavage between Church and State, and when literacy was still the precious monopoly of a happy few, the Church, with its superior schooling, its direct access to personal rulers, and its own forms of large-scale administration, was an obvious source of public administrators. Indeed, excluding governments themselves, from Babylon down to very recent times ecclesiastical structures were the leading types of large-scale organization. As a consequence, the training afforded by practical religious experience was frequently — from the priests of the Ancient World to Cardinals Wolsey and Richelieu — a fitting prelude to participation in the bureaucratic process.

If, for a variety of reasons, the Church can no longer be seen in this all too mundane light, time has done little to dissuade governments — or (in the case of the heads of governments) electorates — that the lawyer or the soldier may be the ideal administrative man. The former's presumed aptitude for mastery of and selection from detail, combined with his ability to formulate a reasoned case; the latter's feel for strategy amid complexity and his habit of planning and command of masses of men and materials — these have meant that the courthouse or the battlefield have been fecund seminaries for public executives. American political and administrative history affords numerous examples of the translation to high — indeed supreme — office of members of the two mighty secular professions.

But the Law is not the only occupation where meticulous attention to detail, together with the ability to rise above it onto a more universal synthetical plane, has been a prerequisite, if not a positive insurance, of success; neither have the Church or War exhausted the range of activities in which men were called upon to oversee large-scale organizations. Men in business have been practicing varying types of administration and management for profit for thousands of years, and governments intermittently have believed that the skills developed and rewarded by profit might be applicable to their own tasks. It was left to a Harvard man, no doubt thinking back to the brilliantly gifted amateurs who founded New Eng-

[5] Of course, the *need* for such formal education has been recognized from earliest times — witness Plato's scheme in *The Republic* for comprehensive and cloistered training for an elite to be dedicated to the state.

land's business fortunes, to expose Business as "the oldest of the arts and the youngest of the professions" [6] — a verdict whose adjectives modern developments in business education are fast reversing. Whatever the semantics of the case, governments and princes from time to time in the past have given an affirmative answer to the question whether there might not be sufficient resemblance between the modes of business and those of public administration to justify a stiffening and enriching of their council chambers with the graduates of the countinghouse.

This discussion of the varied applicability of the techniques of policy formulation and execution is, of course, particularly relevant to the America of the 1940's and 1950's. A recent survey of businessmen in government,[7] itself a reflection of an increasingly significant phenomenon, was able to find some 3000 executives who, since 1940, had served or were serving in high office in Washington. And another found that of the 202 top executive posts in eight federal departments in 1954, 83 (41 per cent) were occupied by businessmen.[8] The demands of the Second World War, the Korean, and the Cold Wars, together with, what is probably even more important over the long run, the evolution of government participation in the economy — all have set up a personnel vacuum which has drawn a host of business executives into government service. The skills demanded by the modern state are not so abundant that any potential source can be ignored. And, philosophical polemics apart, there is an irreducible and sizable residue of official economic and administrative activity which no one would surely wish to eliminate. Mid-twentieth-century America, like most societies before it, stands to gain less from hamstringing the necessary operations of government than from ensuring that the men who staff them shall not be administrative nincompoops. And America, more than most societies,[9] since its own foundations rest securely if obliquely on business enterprise, has tended to look on this last field as a rich source of professional managers. Public service for the successful executive is today less solely a reward for party contributions than the result of a search for men to do a necessary job efficiently. But this development, misleading in its simplicity, has produced a considerable amount of dissatisfaction. Businessmen in government have not found the environment they anticipated for the skills they believed they possessed.

Some three hundred and fifty years ago in England a situation existed which points some significant contrasts, while it has some distinct echoes, of the contemporary experience. The Wilsons and the McElroys of the 1950's, might find in the Cranfields of the 1610's not unfamiliar, although perhaps entirely unexpected, predecessors. We shall, as a consequence, examine the situation of Jacobean England before returning in more detail to a comparative analysis of the contemporary problems.

[6] President Lowell of Harvard University.

[7] Harvard Business School Club of Washington, D.C., *Businessmen in Government, An Appraisal of Experience* (Washington, 1958).

[8] McDonald, *loc. cit.*, p. 70. The comparable data for 1952 under President Truman were 36 (21 per cent) out of 168.

[9] England's tasks in public administration – equal to if not greater than America's – have been fulfilled with much less recourse to private business. Instead the English career Civil Service has been developed to a much greater extent, while Cabinet Ministers (in the prevailing Parliamentary system of government) are most often elected professional politicians.

Business and the Government under James I

England in the early seventeenth century was a rare type of mercantile nation: one whose principal repository of labor and capital was the land, but whose most dynamic feature lay in overseas trade and whose well-being was critically dependent on the precarious vagaries of a primitive international economy. Roughly speaking, England exchanged woolen textiles and small amounts of leather, tin, lead, and coal for the linens, silks, fruits, wines, grain, dyestuffs, and timber products of Europe. Peripheral to the mainstream of European commerce was a small but growing trade with Asia, Africa, and America. English prosperity could not be divorced from the state of activity along these channels of business. On it depended the price and availability of important raw materials and foods; the supply of treasure, currency and liquid capital; the level of employment in the leading manufacturing industry; the maritime strength of the country; and the very standard of living and (as a consequence) the social harmony of large segments of the community. As Professor Tawney intimates: "the conviction that commerce, shipping and manufactures were the El Dorado of the future had become by the beginning of the seventeenth century a dogma overriding political and confessional frontiers." (P. 3.) From this, he suggests, there flowed two important consequences. First, in measure as commerce developed, governments assumed unquestioningly that its regulation was worthy of, and demanded, their attention. Second, the burgeoning strength of trading and financial enterprise was inevitably accompanied by the evolving power of the business groups concerned — with whom both governments and social systems had to come to some accommodation.

A government determined if possible to manipulate the whole range of industry, trade, and finance sets itself a task which demands technical knowledge and administrative skill beyond the capabilities of the sorry crowd of aristocratic nonentities who seemed to figure so prominently at the Court of James I. Tariff policy, the balance of trade, manufacturing developments, international economic warfare — all demanded technical knowledge for successful (or even unsuccessful) manipulation. As a consequence it was to the world of mercantile business that the King and his Council perennially turned in their quest for advice as to current practice and future policy. And even though the assumption by businessmen of full-time government office was rare, the numerous contemporary committees and commissions concerned with investigation and policy-proposal all had a heavy quota of practical men of affairs. Thus Cranfield, cloth exporter and financial speculator, first undertook consulting work in 1612 when he advised the government on an embargo on English textiles by the Spanish Netherlands, and acted as mediator in the complicated bargaining between the Crown and various business syndicates for a lease of customs collection to private enterprise.

In addition to the foregoing there were other equally striking aspects of the government's economic role under James I which helped fashion the place of business in the official scheme of things. First, the legislative function was far stronger than the executive: officialdom's ability to say what it intended to do far outpaced its power to do it; and its prohibitions of developments it wished to curb were models of precision by the side of

the poverty-stricken system of law enforcement available to it. Secondly, the royal government of James I was profligate to excess. The lush outflow of official money (in conspicuous consumption, luxury and pomp, gifts to Court favorites) was more than matched by fantastic inefficiency and corruption in the fiscal system which administered collection and expenditure. And in the absence of effective income the increase in royal debt kept pace with the liquidation of royal capital. Thirdly, political circumstances prevented any realistic extension of taxes, and the King's government was confined, by the dictates of medieval doctrine, to semi-feudal sources of ordinary revenue. On the one hand, as a consequence, there was a high premium on efficiency in fiscal management (a premium which was rarely earned); on the other, the Crown was driven to adopt a complex mass of expedients in order to raise money. How did all these factors affect the role of businessmen?

To take the case of the government's lack of administrative power, there were, in Professor Tawney's words, "opportunities for speculation offered by the co-existence of an embarrassed Exchequer with a mass of valuable rights of which Governments could dispose, and an ambitious structure of economic regulation which they lacked the means to enforce." (P. 85.) Indeed, the Crown frequently leased out its own functions to individuals or to syndicates of capitalists, and business entered the field for a profit, to redress the inability or unwillingness of the government to carry out directly its self-appointed tasks. Thus Cranfield in 1605 purchased the office of the Receivership of Crown Revenues for Somerset and Dorset — incidentally securing himself temporary supplies of liquid capital in the areas which supplied some of the cloth he exported. Perhaps the outstanding example of this delegation of official function to private business lay in the "farming" of customs revenues. For a stipulated annual rent over a period of years, business syndicates purchased the right to collect customs — a purchase which was itself subdivided, sold, and repurchased — securing a profit to themselves and enabling the Crown both to anticipate its revenue and to avoid a complicated executive task. Between 1604 and 1608, for example, Cranfield acquired shares in eight such "farms." Other instances of businessmen assuming governmental functions were: the retailing of the vast blocks of royal land which James I sold in a desperate search for money, and which speculative syndicates bought in the first instance in order to subdivide and re-sell; the licensing of wine retailers which, in return for a fee to the government, was handled by enterprising capitalists; the exclusive right to enforce various prohibitory economic statutes by bringing transgressors to court and securing some proportion of their fine; the speculative purchase of job lots of the cargoes of enemy ships captured in the course of international hostilities; the right to confer knighthoods for a fee, which businessmen purchased from the Crown and dealt in like any other commodity.

Business came *into* government, of course, primarily in answer to administrative deficiencies and the need to combat waste in official operations. As we have seen, the former also kept business *out* of government by stimulating a system of delegation. And the waste — although it was ultimately the reason for Cranfield's assumption of ministerial power — had a similar effect. First, the Crown, in its frenetic search for income,

was driven to desperate expedients, by which, for example, it would forbid some activity and then derive an income from selling exemptions to its own ban. Such were the licenses to export prohibited goods (e.g., unfinished cloths, guns, hides), which it sold to businessmen, who in their turn "had the choice between disposing of . . . wares in a protected market or . . . of reselling the licence to a purchaser willing to pay more than its face value for the right to do the same." (P. 89.) Secondly, however, there were the transactions for which the government derived no financial return, for the Stuart Court — referred to elsewhere by Professor Tawney as "a parasitic monstrosity" — was the home of a greedy crew of hangers-on who lived off the bounty of the King. Besides the direct monetary grants which they received, and which bedevilled the tasks of any reforming finance minister, it was also the King's disconcerting habit to award these "noble leeches" licenses and patents in lieu of cash. These were economic rights to regulate and control which had a market value, and the grantees, more interested in their pecuniary worth than aware of how to manage them for a profit, often hastened to sell them to businessmen who were well qualified in both respects.

Clearly Jacobean London offered rich pickings to men of wealth, influence, and ability in "the seductive border region where politics grease the wheels of business and polite society smiles hopefully on both." (P. 83.) And mercantile wealth flowed freely under the management of businessmen with superior skill in the speculative or venal arts, an eye for risk and profit, and a sense of fiscal reality. It was a world of striving endeavor and uninhibited graft. Lionel Cranfield, in his private operations, was among its most representative citizens.

Nevertheless, his public virtues far outweighed any of his private vices. For after 1612, utilizing the patronage essential in a nondemocratic society, he passed into government service and there became a trenchant and sincere advocate of rational administration and honest reform. Starting as Surveyor-General of the Customs where he worked for rationalization of the tariff, he helped overhaul the financial management of various departments of state, became the chief of two of them and commissioner of a third, and (in 1621) Lord High Treasurer — the Crown's leading finance minister.

Cranfield was motivated by a loathing of inefficiency and corruption in high places, by a single-minded determination to streamline official management according to the criteria of fiscal achievement. Basically, he focused on the *administrative* problem rather than on the possibilities of political change. He demonstrated, according to Tawney, determination rather than originality, and a combination of energy in action and conservatism in thought. But to a considerable extent he had no alternative: political realities and parliamentary suspicion of the Crown sharply restricted the scope for new taxes and financial maneuver. Efficiency in the operation of institutions whose basic outlines were fixed exhausted the tasks of the ideal treasurer.

Given these limits Lionel Cranfield attained a not inconsiderable success. And he owed this success to characteristics which, although platitudinous today, were rare enough to be innovations in the seventeenth century. His "executive efficiency owed as much to care in diagnosis as to

energy in action" (p. 197), and his approach to any executive problem was marked by the collection of full, exact, detailed, and (if possible) statistical data on the question in hand. No problem, he felt, could be successfully tackled without a preconcerted plan and mature consideration. He combined this with a piercing eye for the critical area, a ruthless attachment to sound business principles, and a fantastic energy in application which enabled him, even while doing more than one man's job as treasurer, to hold down several other government offices simultaneously. He justified his reputation as a hard-headed man of business with formidable administrative skills and a superior grasp of the essentials of operating efficiency. His influence swept like a fresh wind through the torpors of archaic bureaucratic procedures. But his dedication to good management blithely ignored the area now euphemistically called human relations. For Cranfield was an aggressive and courageous individual, truculent and outspoken when crossed, unable to suffer fools gladly, and unwilling to acknowledge that any merely human factor, or question of personal power, could or should retard the progress of objective efficiency. In this he participated in what Tawney calls (p. 292) the administrator's fallacy: "the belief . . . that efficient management, combined with public spirit and a logically unanswerable case, can hold its own against interests and ambitions wielding personal and political power." In all ages this illusion has made for frustration and exasperation in the face of the apparent wiles of politicians (and, it must be added, an impatience with the democratic process). In Cranfield's case, since it threatened powerful men who had an entrenched interest in the ramshackle system he was trying to overhaul, it led to his downfall. He was a man of much integrity and unbending reserve who, as a contemporary observed, "sat in great places, not to be popular and get affection, but to be just and to husband the revenues of the Crown with prudence." (P. 278.)

Comparative Problems of Business in Government

Economically speaking, twentieth-century America bears no resemblance to seventeenth-century England. The bases and structures of business activity in each are, it is obvious, entirely distinct. Cranfield, as a leading businessman, was individualistic, a merchant and a speculator, and concerned with overseas trade and government contracting. His counterparts today are usually corporation executives, from industry rather than other fields, and on the whole more directed to the domestic market. Commensurately, the nature of government and its economic role have changed since the 1610's. Both the effectiveness and the range of government economic participation have greatly expanded.[10] It is true that the English government was then concerned with various attempts to shape the structure of the economy by short-range and long-range policies. But in fact the most pressing task for a businessman like Cranfield was to revamp the financial arrangements of the Crown. Today, by contrast, the public administrator is continually faced with management and

[10] It would be possible to argue that in the sixteenth and seventeenth centuries, since governments could envisage no practical or philosophical limitations on their powers to control and direct the economy, the role of the government was *theoretically* as ubiquitous as it could be. But in reality its activities were sharply circumscribed.

policy problems in large-scale organizations dealing with an enormous sweep, as well as the minutiae, of economic, military, and social affairs. Nevertheless, looking at them in their most generalized form, it might seem that the characteristics which Cranfield brought to government work and the problems which he there encountered bear a striking resemblance to widely held views of the nature of the contemporary businessman's involvement in government activities.

Illustrated in Cranfield's career were the virtues commonly attributed to the ideal businessman — a practical bent, great energy and application, a pursuit of objective efficiency and rational achievement, and an ultimate adherence to centralized discipline. By contrast, his fatal involvement in strictly "political" matters are in the long tradition of the nonpolitical businessman, desiring merely to carry out an administrative task, intolerant of and frustrated by politicians with no regard for the impersonal niceties of organizational performance. In addition he seems to have had his share of "red tape" and circumlocutionary officials with a vested interest in it. But such a smooth comparability should make us tread warily. Behind it lies an all-important assumption: if a successful businessman finds government work frustrating, and is a resounding failure in it, the fault must lie with the government because in the last resort the skills necessary for success in business and government are, or should be, identical. Indeed, the argument runs, it is possible to isolate something called administrative ability wherever and whenever we look for it. We should, perhaps, on the basis of a comparison between Cranfield's experience and that of the 1950's, examine this assumption at greater length, by analyzing some aspects of the problem of businessmen in government.

From Private Enterprise to Public

Lionel Cranfield went into government service under the aegis of a patron and, given the nondemocratic nature of seventeenth-century politics, was maintained there by the same force of patronage — as long as it was exerted. But the primary reason for his metamorphosis lay in the official belief that he really did have skills to contribute. The *occasions* of the creation of that reputation were concerned with the contributions he had already made to James' government in terms of his business activity, financial help, and expert advice. We have already seen that, as an urbane operator in the higher reaches of London economic life, he was bound to come to the government's attention: his resources were, for a return, at the disposal of the Crown; a considerable amount of his straightforward business dealings, in land, customs, and licensing, had been concerned with quasi-governmental tasks; and his help was sought on a consulting basis before there was any thought of more continuous employment. When the question of continuous employment did arise, the government was convinced that it needed him by virtue of his qualifications as exporter, customs farmer, land speculator, syndicate manager, etc. Cranfield's entry into public administration sprang from his particular business operations in the economy's private sector.

In twentieth-century American government, of course, a system of patronage still operates in the recruitment of businessmen, from the Cabinet

level down. Of the 90 per cent of businessmen in government who, as shown in a recent survey, were actually offered their government jobs, 37 per cent received the offer from a government executive whom they already knew. Further, 50 per cent of executives were offered their government jobs by the man who subsequently became their immediate superior.[11] Significantly, there is complaint not so much that this procedure opens the door to nepotism, as that it vividly reflects the absence of any more rational or organized method of bringing together demand and supply in the market for administrative talent. Conversely, however, businessmen in government are frequently restless because Civil Service requirements prevent them from exercising "patronage" as much as they would like (i.e., as they would do in private business) in the selection of subordinate skilled personnel.[12]

Broadly speaking, there are two types of government demand for businessmen that are presumed to reflect two types of business experience. In the first case the businessman comes into federal work as an expert with particular skills — either in the operations of a particular industry or technological process, or in a specific business activity such as accounting, budgeting, procurement, personnel relations, etc. Secondly, the top businessman is presumed to be a repository of some across-the-board "administrative ability" attached to no special business activity or industry. The former is, of course, more closely akin to Lionel Cranfield. He tends to go into government work to do a particular job over a short period of time — in the nature of a consultant. Of the businessmen who served in the 16 years prior to 1958 almost half were in federal work for one year or less, and only 14 per cent served four or more years; and of all businessmen in government service a high percentage received the offer through their company or industry — which would seem to indicate the importance of special skills.[13] Even this type of official employment, however, involves difficulties. For one thing it takes some time for the businessman to get adjusted to his new environment, so that his period of maximum usefulness will be uneconomically short unless he serves for longer than is the custom. For another, even "consultants" are involved in administrative hierarchies and procedures and, in this context, to announce that they are there for one year (or less) deprives them of effective standing and power.

However, it is the second group, the pure "administrators" who bring us to the heart of the matter. For it is often presumed that the "business administrator" has skills so generalized — applicable to most "organizations" — that he can be successfully transferred to the command of a government department which need bear no technical resemblance (except perhaps in number of employees) to his own business. To a large extent this presumption, in all its ramifications, is a very modern phenomenon; Cranfield — notwithstanding Tawney's general remarks — was brought into government principally because he knew a lot about many specific things; and over the last decades, or even centuries, pressure existed to enlist entrepreneurs in public administration more often because they were thought to be trained economizers than because they had universal

[11] *Businessmen in Government, An Appraisal of Experience*, pp. 19, 34.
[12] *Ibid.*, pp. 12, 33.
[13] *Ibid.*, pp. 18–19.

management qualities. But in the last generation the growth of big government has matched the (somewhat older) growth of big business. And the skills which governments seek seem to be strictly associated with size. Executives from big business in government service outnumber those from small by some five to one, and the tasks they are called upon to do concern "planning, organizing, developing, directing, and controlling"; about 32 per cent of businessmen in government were and are concerned with the development of major policy.[14] As we should therefore expect, a government such as that of President Eisenhower, which has placed an increased emphasis on business personnel, has also relied much more heavily on men from manufacturing business — as against the financial area which was more favored by previous administrations.[15] The question therefore arises: how apt is the businessman, *sui generis*, for government service?

The Businessman's Skills

One important reason for not drawing too close a parallel between Cranfield and, for example, Charles E. Wilson or Neil McElroy is that he and they represent no more than two distinct species of a highly variegated genus.

Cranfield was a businessman trained in mercantile and speculative techniques in a preindustrial economy. He had a developed knowledge of markets, currencies, commodity speculation and exchange fluctuations; of a primitive but effective credit structure; and of decisive decision-making in a context of delegated entrepreneurial responsibility, a high proportion of circulating capital, a small labor force, wildly fluctuating risk, and undeveloped channels of communication. He was an expert on business activity in this sort of economy, and his value to the government lay precisely in those qualities which had led to his own success: a keen knowledge of men and affairs, an ability to squeeze the maximum out of a bargain, and a penchant not so much for the continuous running of a large-scale business organization as for the administrative control of an institution's (or an enterprise's) income and expenditure.

By contrast the present and former Secretaries of Defense are, to circulate an old coin in a new market, organization men. Both are the products of modern corporate industrialism, of modern business administration: the continuing management of vast enterprises, with a highly developed system of communications and a host of mechanical aids to the executive function, concentrating to a considerable extent on the formulation and application of major policy in the context of scale. To such executives, in charge of corporation giants, the risk of imminent failure or horrendous loss, which permeated mercantile enterprise 350 years ago, is conspicuous only by its absence. Instead, the scope for planning and systematization has been enormously increased. Today's top executives are men charged with the task of guiding all the parts of a complex and elephantine structure along a common path.

In these terms government seems to have changed commensurately with business since the early seventeenth century, so that the Department

[14] *Ibid.*, pp. 9, 16, 20.
[15] McDonald, *loc. cit.*, p. 70.

of Defense, in all its complicated size and administrative struggles with major policies, appears to be much nearer to General Motors or Procter and Gamble than to the English treasury of the seventeenth century. It is perhaps for this reason that the top administrators in the Defense Department in 1954 could muster a greater proportion of ex-businessmen than all except one other leading department, and that of those businessmen currently serving in Defense, men from big business outnumber their smaller brethren by nine to one, as against the already quoted ratio of five to one, for all agencies.[16]

However, in spite of this superficial economic resemblance between government and business in the twentieth century, it ought to be borne well in mind that, in comparison with the situation in Cranfield's day, the two are poles apart. As was frequently reiterated in the section on "Business and Government under James I," the outstanding characteristic of government's economic relationships in the early seventeenth century was their intertwining with business operations. The tasks which the government set itself in terms of economic regulation were deeply concerned with business activity in the areas which were the candidates for control. In addition, an enormous amount of the governmental function was given over to the management of private enterprise. This meant that businessmen had the habit of handling government operations — indeed many of these operations *were* business — and that more strictly government activity was itself concerned with business. The line between the two was shadowy, or frequently nonexistent. Talent was in theory equally applicable in both because, so often, both were doing the same things. In the twentieth century, on the other hand, despite the close relationships between government and business, the functions of federal agencies, and the organization which is set up to carry them out, vary significantly from the functions and organization of private enterprise. Although government and business frequently meet, the line between them is far clearer than it was 350 years ago. The differences between the things they do are sufficient to mean that the skills suitable in one will not be directly applicable in the other. Nevertheless, there is an argument that the very scale of both, with the related administrative problems, presents a comparable field for the utilization of generalized "administrative ability."

The view that governmental departments, by their very structure and the nature of their impersonal administrative problems, *are* significantly similar to large-scale business units readily explains why so many people think that the skills needed in the former can be successfully gathered from the latter. And yet the businessman as a type has rarely been fully happy in government work considered merely as administrative endeavor. Critics of government through the ages have laid the blame for this at the door of the bureaucratic process, of outside interference, implying that if only the businessman were left alone he would do an entirely satisfactory official job. But is this so? May it not be possible that the administrative function is *intrinsically* very different in government and business, so that when private entrepreneurs become unsuccessful public officials the fault lies partly in a failure on their part to adapt to a *new* task?

[16] For 1954: McDonald, *loc. cit.*, p. 70. The proportion was 67 per cent as against the Post Office's 82 per cent. For "big businessmen," see *Businessmen in Government, An Appraisal of Experience*, p. 16.

In the first instance we ought perhaps to disabuse ourselves of the theory that the administrative function, even in one "area" like business, is in any way homogeneous. All men successful in business — or even in one line of business — do not display identical bundles of qualities. Administration is perhaps not an abstract, objective art. It is, of course, true that the nature of the problems which arise in business has a tendency towards uniformity. But the specific manifestations of these problems, and, above all, the nature of the aptitudes which make for their successful resolution, vary enormously. To take a random selection, men as successful in private enterprise as Herbert Hoover, Andrew Mellon, Chester Bowles, Charles Wilson, George Humphrey, and Neil McElroy were and are widely divergent in the abilities which enabled them to achieve (or retain) business power and which they brought to the public service. The chief executives of most leading corporations are fully comparable only in the sense that, encountering a vast range of situations with quite different personal tools, they normally achieve positive administrative results measured by financial criteria.

But if there is so much divergence between individual corporations, and if it is true (as it appears to be) that the top executive personnel of one would achieve entirely different results if they were put in charge of another, then it is surely only reasonable to expect a sharp divergence between the administrative problems in private business and in federal organizations. Similarly we ought to expect that there will be a significant distinction between the varying qualities needed to solve these problems. And just as we know that Lionel Cranfield, Earl of Middlesex, might well botch the job of Cabinet member in the 1950's, so we ought to appreciate that having run a large-scale corporation successfully is no *necessary* indication of a like achievement in running a federal agency.

Frederick J. Lawton, United States Civil Service Commissioner, afforded some indication of one essential difference between the management of private and public organizations.[17] He denied the existence of the pure "administrator" in the federal government. In his view there is no "race of divinely favored beings who are not only crackerjacks in running governmental departments but also marvels of vision, devotion, and probity." Indeed, "the concept of a corps of trained administrators left to their own resources would not accomplish what it appears to promise, because public administration does not operate in a political void."

The real point here is that *far from being a malignant and ideally dispensable growth on the federal administrative area, the "political" setting, widely interpreted, is an integral part of the administrative problem — altering its nature in fundamental and irrevocable ways.* For the businessman in government encounters certain aspects of the democratic process alien to his previous experience but inextricably mingled with the management function in his new field. Of course this can be carried to unnecessary excess — and often is in the field most irritating to the businessman: congressional investigations of the top executive branch. In business it is rare, to say the least, for an executive continually to have to justify his actions and policies to committees of aggressive stockholders.

[17] "The Role of the Administrator in the Federal Government," *Public Administration Review*, Vol. XIV, No. 2 (Spring, 1954), pp. 112–113.

But this is the type of activity inherent in modern representative government. It was a stumbling-block to independent administrative action which Lionel Cranfield, in a different political environment, did not encounter, but it is an ever-present feature of twentieth-century public administration.

Yet relations with Congress apart, there are further, and much more significant, administrative repercussions of political democracy which distinguish public from private management. The businessman in Washington finds himself operating within an institution whose *internal* organization is likely to be considerably less "authoritarian" than that of the private corporation from whence he came. In the words of one: "The businessman has much to learn. Where he came from he was boss — he presided and decided. In government he is a sort of chairman of a debating society. He must guide discussion, persuade." [18] Businessmen most frequently take exception to the implications of the government system — to the "red tape," "interference," constant need for consultation, etc.[19] The significant feature is that, with some exceptions, business, as an organizational hierarchy, is more power-oriented than government. In the former the chain of command runs clearer and smoother, the checks and balances on decisive action are less in evidence, there is less occasion for consultation and more for the unimpeded exercise of authority. In the federal government, by contrast, the situation is reversed. The public executive has to contend with a host of ground rules, formalities, and administrative coequals in his own and other departments. He has perpetually to consult others, to meet advice and criticism, to justify and compromise, and to rely upon others for crucial supplies of personnel, funds and equipment. He is no longer "his own boss" — but part of a team fashioned on the one hand to achieve purposes greater than those of his own department and on the other to safeguard by mutual adjustment and balance the interest of the public at large. In the words of one expert: [20]

> I submit that a majority of business executives are uncomfortable and unsuccessful in the federal government's top-most political, policy-making posts as department heads and assistant secretaries. They are unaccustomed to and sometimes resentful of the interest of the legislative branch in administrative affairs. They are unfamiliar with the necessity for clearance and coordination with numerous other departments. They are irritated by public scrutiny of their actions and by the rigid controls exercised over the recruitment of personnel, the budgeting of funds, and the procurement of supplies and equipment.

More succinctly put, the former president of a corporation who has become a departmental head, will find himself in the unfamiliar and uncomfortable role of a corporation vice president. Washington, said one malcontent, is "full of vice presidents. . . . I have to run my own show." [21] In governmental business, a suitable lesson might run, there is only one President, the Department of Defense is only one among many,

[18] *Businessmen in Government, An Appraisal of Experience*, p. 14, quoting Clarence B. Randall, sometime Chairman of the Board, Inland Steel Company.

[19] *Ibid.*, pp. 11–13, 23, 33–34; McDonald, *loc. cit.*, pp. 71, 156.

[20] John Corson, quoted in McDonald, *loc. cit.*, p. 69. Mr. Corson was Washington member of the firm of management consultants, McKinsey & Co., which prepared a report for the new administration in 1952 to be used as a guide for restaffing the executive branch.

[21] Quoted in McDonald, *loc. cit.*, p. 156.

and there is need for teamwork of a very special kind. One observer recognized all the implications of this fact, but was somewhat more optimistic about the utilization of businessmen: [22]

> The ability to be decisive is perhaps the most characteristic and highly developed talent a businessman has. However [in federal work], many of them have had to unravel their training in this direction. They have learned that they have to take council with others — more than they are accustomed to — in coming to a decision, and that the job calls for persuasion rather than decisive and precipitous action. Patience and long reasoning with others are new to them. Practically all of them thought running the government was as simple as a syllogism in logic. . . . They have found that a large measure of government is political, especially the obstacles. But they have learned. You don't hear any of them any more talking about applying business practices to government.
>
> A businessman coming fresh into the government is not a businessman very long. . . . Acting for wider interests, he sees more.
>
> . . . . .
>
> On the whole, however, there is no class of people better equipped for public service than the businessmen. In many lines of government they have the knowledge required. They know procurement, distribution, control of standards, trade, banking, all of which, in somewhat greater complexity than in private business, are skills needed in government. . . . businessmen can learn the [political] ropes and we want them.

In terms of management all this means that a federal department cannot be run exactly like most large corporations. For the lines of power, command, compromise, and responsibility — both on the inside and the outside — are markedly different in each case. A businessman moving into government will experience a twofold pressure for adaptation: to divest himself of some attitudes and to adopt fresh ones. Misapprehension as to the complex nature of their new authority and its exercise must go far to explain the frustration which so many businessmen feel in Washington. And the more *aggressively* successful they were in business, the more "colorful" and "independent" their personalties, the deeper are the pitfalls which await them in federal work. For while the public administrator gains power as measured by the magnitude of his operations, he loses it by having to share with so many others the power to make decisions: "Ability to share the power of decision with co-equals is the essential mark of the political executive." [23]

Businessmen, and others on their behalf, often tend to feel, in their exasperation, that public administration somehow *ought not* to present these problems, that it *should* be near enough to private business to enable a businessman to exercise his principal talents unaltered by the new locus. But perhaps one real lesson is that far from being peripheral to federal management questions, the matters of compromise, control, and responsibility — which we may loosely lump together as "political" —

[22] Anonymous commentator with experience of recruiting businessmen for government work, quoted in McDonald, *loc. cit.*, p. 158.
[23] McDonald, *loc cit.*, p. 156.

are an essential part of them. In a representative democracy it is unlikely that the administrator will be set entirely free in the decision-making process. As a consequence our ideal federal administrator — if, indeed, there be such a creature — will have to have extra dimensions of ability not so essential in private business. He will have to look beyond his department to wider issues, to interpret and reinterpret policy for the benefit of critics and equals, to operate in the political arena, and to have the "political sense" which enables men to expose and adjust themselves to constant criticism and reactions in public.[34] And if all this is so, then the criteria of efficiency in business and government operations differ even more than the absence of profit incentive in the latter would lead us to believe. There have, actually, been some businessmen in government who have fully appreciated this fact, knowing that, while there is and always will be scope for improvement in public administration, governmental management is an activity with its own peculiarities, which cannot be condemned out of hand whenever it does not exemplify "good business practice."

Conclusion

The businessman who goes into government enters a scene whose "political" overtones, while they are unfamiliar to him, permeate the administrative structure with which he deals. The difficulties into which he may run as a consequence are only in part familiar to us from history. To a great extent they are the product of a unique combination: modern political democracy and intensive, large-scale government participation in the economy, which, while it gives power to the bureaucrat with one hand, must necessarily guard against its abuse with the other. Lionel Cranfield's political problems, in spite of the superficial similarities already delineated, were of an essentially different order. He was operating within a nondemocratic polity under a system of royal patronage. His political failings — which were real enough — did not arise because he failed to compromise with coequal administrators or adjust to cooperative decision-making. They were, instead, the product of the rise of political powers whose good will he had alienated, combined with the weakening power of the King — whose servant he had been and beneath whose protective shadow he had wielded maximum authority. For as long as his own position was secure, Cranfield was supreme and shared his power with no one. He was, indeed, handicapped by a political inaptitude; and the same thing can be said about many modern executives. But, in fact, with the evolution of political democracy, the two cases cease to be comparable.

This article has concentrated in broad, general terms on the more significant differences between the skills of private and public administration. Its conclusions may appear to be more pessimistic than is intended. For one thing, the businessman who is adaptable — and, after all, adaptability is a characteristic of many types of highly successful executives — may already possess the innate qualities necessary for the field of public administration. For another, certain corporations, under the stress of

[34] See John C. Corson, *Executives for the Federal Service* (New York, 1952), pp. 14–15.

rapid growth, fashioned organizations for themselves which — in their emphasis on cooperative decision-making and compromise — are at least comparable to the power structures of government. Standard Oil of New Jersey may be an example here.[*] In any case, of course, history demonstrates many instances when business techniques, of a minor or major order, have contributed significantly to governmental effectiveness. Even in the 1950's there are broad ranges of federal work, below the top, policy-making levels, where business expertise on its own can do a considerable amount. With the top positions themselves, what has happened, it seems, is that by a curious paradox the burgeoning power of the whole has been accompanied by a reduction in the power of the individual either to come to or to carry out major decisions. Since the power structure of much large-scale business enterprise has developed along different paths, and since the nature of government's economic activity has become less and less like that of large-scale private enterprise, the twentieth century has witnessed a divergence in skills necessary for success in both fields. A divergence which we have, perhaps, been too slow to acknowledge, but which, once acknowledged, is surely not always too wide to be crossed. As businesses come to adjust to their own complexity, as government tries to streamline its organizations within democratic limits, and as all concerned appreciate the realities rather than the polemics of the situation, we may hope that the gap — while never closing — may grow narrower.

[*] See the *History of Standard Oil Company (New Jersey)*: Ralph W. Hidy and Muriel E. Hidy, *Pioneering in Big Business, 1882–1911* (New York, 1955), pp. 55–71, 323–337; George S. Gibb and Evelyn H. Knowlton, *The Resurgent Years, 1911–1927* (New York, 1956), pp. 25–31, 606 ff., 617ff. Gibb and Knowlton, pp. 30–31:

> Faced with problems that seemed to require the ultimate in dynamic direction and centralized authority, the board of directors was actually neither dynamic nor autocratic. Long before 1911 Standard Oil management had worked out its highly effective committee system of administration, the essence of which was the more or less free give-and-take of men in the company of peers. . . . The boardroom continued after 1911 to be a meeting place for the exchange of ideas, not the fountainhead of arbitrary orders. . . . discussion remained the foundation stone of management. . . .

THE RISE OF THE BRITISH RUBBER INDUSTRY DURING THE NINETEENTH CENTURY. ***By William Woodruff. Liverpool, England, Liverpool University Press, 1958. Pp. 229. 35s.***

Reviewed by Nancy Norton
Wheaton College

Professor Woodruff's study is an excellent example of the light which can be shed on the whole field of economic history by careful analysis coupled with imaginative interpretation of the problems of primarily one company. As the author stated, "the purpose of this volume is to tell the story of the origins and rise of the rubber industry in the West Country during the second half of the nineteenth century." Yet "it is in the history of relatively small undertakings, such as the Moulton Company, that the general pattern of industrial development during the nineteenth century, can best be discerned."

The unpublished papers of the Moulton Company, founded in 1848 at Bradford-on-Avon, are the most important source of information, but the author has also availed himself of records of the North British Rubber Company and of the Birley family of the Macintosh Company, the two giants of the British industry in the last century. While the author expresses regret at the inadequate information on investment policies and profits, the records of the Moulton Company and to a lesser extent the North British are surprisingly complete.

Despite the use of company documents, Professor Woodruff has not written a standard business history. Rather his work is a combination of the approaches of business and economic history. His introductory chapter sketches the background of the rubber industry and the careers of its leading personalities in the United States and Great Britain down to 1847. Then follows a chapter on the founding of the Moulton Company in which the manifold problems and talents of the businessman are apparent. Included are excellent studies on the acquisition of capital, machinery, and labor and the establishment of distribution channels. The next four chapters are organized on the basis of functions: procuring the raw materials, product selection and manufacturing, marketing, and labor management. Three concluding chapters cover the patent story, the medium of exchange and Moulton family history. Although the personality of Stephen Moulton is felt throughout the volume and a sense of the man making decisions and carrying on his business comes through, the author has made no attempt to deal with administration — perhaps Moulton's role as the sole administrator obviates this — or to deal consecutively with company growth. In his short work he has organized his material to emphasize other themes.

The British industry began with the work of Charles Macintosh on rubber solvents and Thomas Hancock on mechanical manipulation, but its modern foundation dates from the arrival in England of Stephen Moulton with samples of Charles Goodyear's vulcanized rubber — samples whose secrets Hancock managed to divine in time to apply for an English patent before Goodyear, thus setting the stage for a legal as well as a commercial battle. Throughout the 1850's American capital, American skill, and American workingmen were imported into the British Isles.

Moulton was backed by New York partners and the North British was an American company. When considered in the light of the ordinary relationship between British and American industry in the middle of the nineteenth century, this American leadership is exceptional. Though the connections became less close as the years went by, the industry on both sides of the ocean moved in similar channels. In neither country were any fundamental innovations made in machinery or in processes; in both countries the practical man held sway, the chemist was ignored. Marketing and financing methods did undergo some changes, but the most important developments came in the new products, as rubber kept pace with the burgeoning industrial society. In early years clothing (including footwear) and medical supplies had been in greatest demand; later the market for mechanical goods such as belts, tubing, packing, railroad parts and insulation for electric wiring grew apace. Finally at the end of the century came the demand for tires — first bicycle and then automobile. Yet certain interesting differences did occur. American firms were highly specialized in their product line; British, even a small company like Moulton, produced a much wider variety. American managers sponsored price-fixing and combination plans from the very beginning of the industry. The first feeble attempts in Great Britain came only at the close of the century. Finally for some products there was but a limited market in Great Britain. Even today footwear is a minor item despite the suitable climate. It is too bad that the author did not have more space to reflect upon the reasons for these variations.

The story of the industry is immeasurably aided by Professor Woodruff's clear thinking and facile pen. He is equally at home describing the botany of rubber, the mechanics of the equipment, or the intricacies of financial transactions. The masterful interweaving of complex strands and the concise generalizations represent a high order of skill. The first chapter in which he picks out the salient factors in the history of rubber from Columbus to Hancock and then takes up the divergent but interconnected story of the American and British pioneers is a case in point. Or the clear picture he gives in the chapter on wages and hours. The difficulty in handling such material: the variations in methods of payment, the inadequate information on hours worked and on days employed, the fluctuations in all of these over a long span of time, usually result in an author sketching a very hazy picture of conditions. Yet here as elsewhere, while buttressing his conclusions with detailed tables and with revealing footnotes, Professor Woodruff succinctly draws his generalizations from the welter of facts.

His willingness to make these generalizations and to pass judgments provides much of the stimulation of the work. He is ready to tackle the controversial questions of the priority and value of the Hancock-Goodyear patents and processes — and gives a generous verdict in favor of the American both in terms of originality and superiority. As he unfolds the later patent history he condemns the vague and impractical claims that were never justified and he emphasizes the skillful way the Dunlop Company assured itself of an unequaled degree of control of the new tire industry by assiduously buying up all important patent rights.

His judgments are not limited to matters within the industry. He is ever aware of the broader lessons to be drawn. He takes a stand on the

patent law of England and its value to industrial development; on the relations and contributions of the inventor and the entrepreneur; on the reaction of the second and third generations of management to new ideas; on the working of competition in an industry with a few large and a few small firms. A particularly interesting analysis was that on cost-price-profit policies. Moulton, Macintosh and North British seem concerned almost entirely with average costs and average profits. Marginal concepts were ignored, level of output taken for granted. Pricing and profits were affected far more by rubber costs than calculations of optimum volume.

In a very brief compass, Professor Woodruff has packed much useful information, has drawn a clear picture of the rubber industry as it operated, has analyzed and appraised the ability and achievements of the important personalities and has inserted thought-provoking comments on almost every aspect of business life. He has written a book well worth reading whatever the business historian's particular interest.

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FACILE PRINCEPS: THE STORY OF THE BEGINNING OF LIFE INSURANCE IN AMERICA. ***By Alexander Mackie. Philadelphia, 1956. Pp. 292.***

Reviewed by Harris Proschansky
Bronx, N.Y.

In a study of practical idealism in action, Alexander Mackie, the current president of the Presbyterian Ministers' Fund, traces the history of the company during its first hundred years. The author plumps enthusiastically for the concept that life insurance, of necessity, must have a religious background and must be administered by men with religious convictions, whether the convictions be formal or informal. It is on this basis, therefore, that Mr. Mackie feels justified in devoting sizable portions of the volume to describing developments in the Presbyterian Church in early America and the religious activities of the men active as officers and directors of the Fund. Of interest in this connection is the fact that in its formative years the company was officially connected with the Presbyterian Church.

The Presbyterian Ministers' Fund, formerly known as "The Corporation for Relief of Poor and Distressed Presbyterian Ministers and of the Poor and Distressed Widows and Children of Presbyterian Ministers," enjoys the triple distinction of being the oldest life insurance company in continued existence in the world, the first life insurance company formed in the United States, and the first business corporation chartered in America. It was established by the Synod of the Presbyterian Church in Philadelphia and was chartered on January 11, 1759, as a corporation. The author expatiates on various "firsts": the first policies; the first secretary and the first president; the first directors; the first premiums; the first competitors; the first investments; the first frozen assets; the first actuaries; and the first hundred years of the company. The first life insurance policy in America, issued by the Fund on May 22, 1761, contained provisions strikingly similar to those embodied in a modern policy. Moreover, it had some unusual features in that there were no restrictions

placed on residence, occupation, or travel. This is indeed remarkable, since all other life insurance companies had such restrictions for at least a century after the issuance of the first policy in 1761.

Amidst a welter of biographical detail, the reader can piece together a story of the successes but also the trials and tribulations of the Fund during its first hundred years of existence. Interesting is the author's treatment of the investment policies of the company. Mr. Mackie does not gloss over the company's disastrous investments in land, which resulted in no small losses in the last decade of the eighteenth century. Aside from these mistakes in judgment, the investment managers of the Fund pursued policies making for both safety and income. Moreover, in its insurance operations per se, the organization was also conservative and bent on protecting the interests of its policyholders.

On the completion of its first hundred years, as of May 20, 1859, it was still a small company. A few statistics are illuminating in this respect. One hundred annual subscribers paid a total amount of annual premiums of $3,692.14. Thirteen ministers had deposited $6,348.82, returnable at death, the interest of which was utilized to pay premiums. Moreover, nine churches and seminaries had arranged to provide insurance for their ministers and professors through income derived from permanent deposits, amounting to $4,102.60. An additional three subscribers for deferred annuities made a total of 125 policyholders. The Fund paid $3,002.60 annually in annuities to 23 persons. It had assets of $73,927.08.

In spite of its relatively small size, the company had pioneered in life insurance in the United States and had a proud record of service. The author notes as follows (p. 272):

> Its expenses of operation had been practically negligible. It paid no dividends to any one other than its policyholders. . . . Where it had made losses in the investment field, it had waited patiently until the losses were recovered. It had survived war and pestilence and panic and — most insidious of all — heresy trials. For the men who managed the Corporation believed that life insurance was a sacred trust to be administered only in the interest of its policyholders.

In a work that is primarily biographical in nature, there is much that is of interest and value for both the economic and religious historian. Nevertheless, its merit as a work of scholarship is marred by the profusion of value judgments, digressions, and irrelevancies. Too often there is a discontinuity of treatment which leads to confusion on the part of the reader.

The author describes the material in the company archives. There is ample annotation. A bibliography, however, would have been helpful.

In spite of the shortcomings of the volume, both the economic and the religious historian is indebted to Mr. Mackie for his zealous combing of the sources and his wide research efforts. The first in any field is of perennial interest, and this is no less true of the first life insurance company in America. Since the author only carries the story of the Fund down to 1859, it would certainly be desirable to have another volume describe the experiences of the firm during its second hundred years. It is to be hoped that such a work is either contemplated or, preferably, in progress.

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A CENTURY OF AUCKLAND COMMERCE: 1856–1956; A HISTORY OF THE AUCKLAND CHAMBER OF COMMERCE. ***By A. C. Franklin. Auckland, New Zealand, The Chamber, 1956.***

Reviewed by Harris Proschansky
Bronx, N.Y.

Cooperation among businessmen, both on a national and international basis, has played a significant role in modern political, social, and economic developments. Chambers of Commerce, in particular, have been worldwide phenomena, Argus-eyed protectors of and articulate spokesmen for business interests. This history of the Auckland Chamber of Commerce of New Zealand focuses attention on the evolution of the city of Auckland from its humble beginnings in 1840 to its present position as a national metropolis, and the parallel growth of the Chamber from the point of its formation in 1856 to its present role as a large and influential organization.

Ever-ardent believer in private enterprise and initiative, the Chamber has the following general aims (p. 60):

> To watch over and protect the interests of commerce; to collect information on all matters of interest to the mercantile community; to use every means in its power for the removal and redress of grievances, and for the advancement of trade and industry; to establish a code of practice so that the transactions of business are simplified and facilitated; to foster free enterprise; to resist the growth of bureaucratic restrictions and undue interference with legitimate business; and to provide all necessary services to assist members in their business affairs.

The organization was formed in a period of depression in 1856. Soon after its inception, it initiated efforts to remedy trade abuses. At this time, it also attempted to obtain more adequate facilities for business, daily deliveries of mail, and amendments to the Bankruptcy Act. Other problems that confronted the Chamber were how to deal with insolvent debtors, how to meet the need for standardization of the weight of various kinds of grain, how to obtain improved protection against fire, and how to simplify the complexities of the customs tariff.

Matters of chief interest to the group, of course, varied in different periods, in prosperity and depression, in peace and in war. In tracing the history of the Chamber, the author demonstrates how intimately its evolution is interwoven with the growth of the city of Auckland. More successful is Mr. Franklin in sketching the main incidents of city development than in portraying the Chamber as an evolving organization over the years.

There is a paucity of information on organizational development. In all fairness to the author, it should be noted that there had been a loss of nearly all records covering the first quarter of a century of the group. From the records extant, however, Mr. Franklin might have given more details as to the growth in organization and the problems encountered by the Chamber.

In spite of the inadequacy of the volume on this score, certain highlights do emerge. The group, on February 12, 1869, made a decision to reorganize and extend its activities after a period of inanition, marked by

the apathy and indifference of the members. Membership of the group in its early days was principally centered among wholesale tradesmen and merchants, but after 1877 there was a gradual tendency for firms engaged in production and in retail trade to be admitted. At present, practically every type of business or profession is represented within the ranks of the Chamber. The appearance of the Commerce Journal, the publication of the body, in December, 1925, and the establishment of a full-time secretariat in 1927 were milestones in the growth of the organization. The expansion of the group was further heralded by the redrafting of its rules toward the end of the 1920's permitting the formation of commercial and trade groups, sections and divisions. The appearance of the Junior Section in 1932 and of the Intermediate Section in 1946 attested to the proliferation of the activities of the group. At present, the Council and the Executive Committee are primarily responsible for the day-to-day direction of the organization's affairs and for framing policy.

The Chamber deals with a wide variety of matters of both local and national concern. It maintains a close contact with governmental bodies and with other chambers of commerce. It has achieved a reputation for its ability to take cognizance of the public weal while stanchly protecting business interests.

The author does not provide annotation for his material or indicate sources. There is no description of the works contained in the depositories of the Chamber.

A feature of the work are the thumbnail sketches of the evolution of leading commercial and industrial concerns of Auckland. Certainly these would indicate that considerable opportunity exists for business historians interested in writing book-length histories of prominent New Zealand firms.

Company-centered and industry-centered as their traditional foci of attention have been, business historians are now diligently searching for wider horizons in their never-ending attempts to synthesize the results of their accumulated research. As part of this process, they are attempting to explore fields, which, although neglected in the past, may help to illuminate the larger patterns of business and industrial enterprise as they have evolved over the years. More and more are accounts of chambers of commerce and trade associations in general considered part and parcel of business history. This study of the Auckland Chamber of Commerce is a useful contribution in a field where much research remains to be done.

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THE SOURCES OF INVENTION. ***By John Jewkes, David Sawers, and Richard Stillerman. New York: St. Martin's Press, 1958. Pp. 428. $6.75.***

Reviewed by Alister Sutherland
Nuffield College, Oxford, and Yale Univ.

The authors set out, as a way of tackling some of the problems that arise in discussions about economic progress, to answer the question "where and under what conditions have industrial inventions arisen in modern times." They successfully demonstrate that the often-mentioned

difference between the gifted but untutored and isolated "hero inventor" of the nineteenth century and the streamlined invention team in a modern research laboratory has frequently been greatly exaggerated; even then inventors were often in contact with the science of the day, and with one another; moreover, chance still plays a part in the best-run laboratory. On the evidence of 148 pages of case histories, they go on to show that more than half of 61 important inventions of this century were the work of autonomous individuals, and that in the rest of the cases individual contributions were often not negligible. They forestall criticism, as at many other points, by admitting the weaknesses of their thesis; in certain types of industry, such as those based on chemistry, where systematic search over a wide but predetermined area is essential, there has been a relative decline in invention of the individual kind. Next they argue that there is now an indisputable trend for inventive individuals in all fields to move into organized, and therefore to some degree cramping, institutions. This trend they regret. For when they turn to consider the position of "the industrial research organisation owned by the firm itself, and especially by the large firm" they are forced to conclude that it cannot be considered as a complete substitute for previously existing sources. They argue that, whatever the intentions of the businessman, the research organization cannot help but feel uncomfortable in an environment geared to the earning of profits. Moreover, in the great majority of cases research is conducted on a relatively minor scale. The authors hold that there is no unambiguous connection between the size of the firm and the amount of research activity; and that it is not clear that a competitive situation is more likely than a monopolistic or oligopolistic one to discourage the pursuit of new ideas. They find more convincing the argument that the development of inventions has become so expensive that only big firms can afford it, and that in fact monopoly may be needed to induce the firms to undertake the risk. However, they point out qualifications, and conclude both that development is sometimes cheap, and that it does also occur under keenly competitive conditions. In this field, as in that of invention, diversity of approach alone can be recommended without qualification. It is concluded that the sources of invention, and, by implication and more hesitantly, of innovation, are much what they have always been; we should therefore try to avoid the tendency to rest all our hopes on one particular source, the large organized research laboratory.

A number of points can perhaps be made at the expense of the rigor of the argument. Inventors (in Chapter III) have some scientific knowledge, but not enough (on p. 116) to be put off by the knowledge of failures which may inhibit scientists in laboratories. Success for the small team or the small firm is too easily taken as a hit against the large organization (pp. 87–88); but even a small team is an organization. Concentration ratios are used to identify industries in which there is monopoly (pp. 167–169) without any warning that the indicator might be very misleading.

On three matters there seems to be scope for more serious disagreement. It may be accepted that there is no certainty that the rate of growth of scientific and technical knowledge will remain constant or in-

crease; but we have already reached a stage where one man has great difficulty in keeping up with developments in the whole of even one science. The individual inventor is threatened indeed by the spread of institutionalism; is he not threatened even more by an embarrassment of published knowledge? Secondly, the authors do make the important distinction between a realized and an expected monopoly position as an inducement to innovate (p. 174); but for an established monopolist to be influenced only by the weaker incentive, it must be shown that he is never interested in trying to extend his monopoly power in this or other areas, and that he is very sure of never being supplanted. Moreover, even the actual monopolist must see the future as a succession of expected monopoly positions. Surely something should also be said about the importance of an existing monopoly position in making it easier for the monopolist to obtain information about future markets, as well as in making him feel more secure? Finally, the authors are not always careful enough to preserve the distinction between the invention or discovery of something new, and the innovation, or economic application, which may be based upon it. For instance, on p. 190 they say, "It would be foolish to decry the contributions to innovation made in large firms. But with the knowledge of how inventions arise, . . . , it seems equally wide of the mark to suppose that such firms could, of themselves, guarantee the maximum of innovation." Again, on p. 246, it is said, "But the evidence in this volume points to the conclusion that, in seeking to provide a social framework conducive to innovation, there are great virtues in eclecticism. The conditions under which inventions have arisen up to the present day are so diverse that safety would seem to lie in numbers and in variety of attack." We may accept the statements about invention in each quotation, but the evidence in the case histories is by no means so favorable to the statements about innovation.

This criticism leads us to a possible difference of opinion about policy. Mention is indeed made of the view that in Great Britain, for instance, not enough resources are being devoted to research and development (p. 10). However, on p. 148 the statement "The number of firms in the world which, year in and year out, devote more than one per cent of their total costs to activities likely to emerge as inventions must be very limited" appears in context simply as an argument for saying that reliance for inventions cannot be placed solely on firms. Nothing is said about the need for most firms to do more work on research and development. It is no disparagement of the masterly way in which the authors have succeeded in stimulating our interest in the main problems raised by the disappearing autonomous inventor to say that, when it comes to general policy and to innovation, we still feel committed in this area to two more pressing crusades: to continue the expansion of the educational system, and to quicken business interest in the application of science and technology. Indeed, if we can rely on some potential inventors continuing to be as sceptical and as ornery as many of those so lucidly characterized here, they will continue to elbow their way to the front even if we decide that our other claims prevent us from providing them with the publicly financed laboratories suggested, with hesitation, by the authors.

growth of scientific and technical knowledge will remain constant or in-

open to challenge. What cannot be challenged is that we have here a well-written and stimulating reminder of dangers that we overlook, coupled with a large body of new or freshly presented information which is used to undermine some current myths. Clearly there are occasions when the difficulties of teamwork can be triumphantly overcome.

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MESSRS. CAREY & LEA OF PHILADELPHIA: A STUDY IN THE HISTORY OF THE BOOKTRADE. ***By David Kaser. Philadelphia: University of Pennsylvania Press, 1957. Pp. 182. $4.00.***

Reviewed by Elva Tooker
The Mary C. Wheeler School

Time was when American, rather than Russian, publishing houses made much of their profits from the reprint trade. This study of the Philadelphia publishers Carey & Lea during the years 1822 to 1838 belongs to that era.

Henry C. Carey, dominant partner of the firm, was born into the publishing business. Son of Mathew Carey who was a Philadelphia printer as early as 1785, Henry had been active in his father's business since he was twelve years old and had managed the Baltimore branch. The other partner, Isaac Lea, husband of Henry's sister Frances Anne, attended to the firm's records.

Carey & Lea's stock in trade consisted of books for the lawyer, physician, and scientist, and novels, biographies, and books of travel. Among their other publications were the *American Atlas*, a quarto Bible, *The Encyclopaedia Americana*, the *American Quarterly Review*, and such annuals as the *Atlantic Souvenir*, the *Geographical Annual*, and *The Parlour Scrap Book*.

Henry Carey sought out such American authors as Irving, Cooper, Kennedy, and Bird, paid them adequately, and pushed the sale of their works.

The profit in publishing legal, medical, and scientific books "was slow, but it was certain, and it was substantial . . . . a large stock of technical titles left the firm in a good position to speculate in the uncertainties of the reprint market without risking too large a portion of its wealth."

Books by foreign authors were not protected by copyright in America, a fact which helped to make the reprint trade profitable. Carey & Lea, however, sometimes paid royalties to foreign authors. The reprint trade, like the old China trade or the Spring-Fall importation of English goods, profited chiefly importers on the *first* ships to market. In their struggle for supremacy in the booktrade, Carey & Lea employed an English agent to forward advance copies and engaged numerous American printers to speed publication.

The firm did a wholesale and retail business and marketed through their own stores, agencies, traveling agents (of whom the Reverend Mason Locke Weems was the most famous), catalogues and Trade Sales.

In the booktrade, as in so many others, geography favored New York. Author Kaser states: "Of growing importance was the distance between

nanced laboratories suggested, with hesitation, by the authors.

A review is necessarily focussed on the parts of a book which seem to be

Philadelphia and the port of New York. It was becoming increasingly difficult to offset the time lost in transporting copy for a reprint title from New York to Philadelphia and finished books from Philadelphia back to New York. This difference in geographical location was very soon to put Philadelphia out of the reprint business entirely."

In the struggle for supremacy, Harpers of New York were Carey & Lea's chief rivals. In the 1840's, after the retirement of Henry Carey, Harpers "were able to wrest supremacy . . . and to move America's publishing center from Philadelphia to New York, where it has remained to this day."

This book, a revised version of a doctoral thesis, is based on some records which were scattered: Letter Books, a Cost Book, and letters received for the year 1822 now in the Historical Society of Pennsylvania; Receipt Books in the American Antiquarian Society; and some letters from Henry Carey to his father in the Clements Library at the University of Michigan. The story of types of material published and the methods of securing and marketing them may be found in *Messrs. Carey & Lea of Philadelphia*, but there is little on profit and loss and the items which go into those figures. In spite of this omission, Mr. Kaser's study is a contribution to our knowledge of the policy and management of an outstanding firm in the booktrade in the first half of nineteenth-century America.

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RAILROADS IN ALABAMA POLITICS, 1875–1914. ***By James F. Doster. University of Alabama, University, Alabama, 1957. Pp. 254. $5.00.***

Reviewed by Bennett H. Wall
University of Kentucky

Some aspects of Southern history are much written about. The race question, the fighting South, the question of an aristocracy, the way of life are constantly rediscovered by eager young scholars. Biographies repeat biographers in swift succession. Yet the field of Southern history is still relatively unscratched. Few historians have grappled with the basic economy of the South in any period. Of the few who venture to relate the economy to the lives of the people, far too many skim the surface like a water bug oblivious of the depths.

James F. Doster does not belong in this latter group. In his various writings on Alabama and railroads he has exhibited both skill and research tenacity. Doster's *Railroads In Alabama Politics, 1875–1914* is the type of carefully documented, diligently pieced together story that needs to be done in every Southern state. From such foundation volumes the arch of history must be built. Few of the scholars re-hashing each other's work comprehend the sifting of tons of material that goes into such a volume.

The years covered in this volume — from Hayes to Wilson — were exciting ones in railroad history and especially in the South. Solution of the transportation problem, especially that of the railroads, was the key to the recovery of the South after the unpleasantness of 1861–1865. The people hungered for railroads and in the first decade after the war burdened their states with debt, but received mostly promises. Bonds is-

sued were usually heavily discounted, and of the railroads built few survived the panic of 1873. After that panic several railroad giants with imagination, ingenuity, and guts sought to restore the railroads and create order. Two of these are involved in Doster's story of Alabama railroads: Milton H. Smith of the L. & N. in a major way and Samuel Spencer of the Southern in a lesser role.

Doster relates in detail Smith's struggle to restore order to Alabama railroads and to develop the state's resources. He points out that the methods of Smith were frequently those of a man in a hurry and sometimes those of a cynic.

Smith had to battle the animosities engendered by the frauds of reconstruction and the bond swindles of the 'seventies. A practical man, he needed time and legal stability to build his lines. To get these he built political machines wherever his line went. His battle cry, "We don't meddle in politics except to protect our property when it is attacked," was as well-known to Alabamans and Southerners generally as was his statement, "All legislative bodies are a menace." In the thirty-eight years of political in-fighting in Alabama described by Doster, Smith proved to be a master of many of the techniques of the political genius and anticipated later day ad-men. Doctors galore were on his payroll to run his infirmaries; lawyers were retained seemingly without number; editors were hired, influenced and threatened; diversionary attacks were created through subsidies to such crusading groups as the prohibitionists; related corporations bought newspapers or started competing ones; advertising agencies planted stories; cartoonists were encouraged to wield the sharp pen; land improvement and municipal reform leagues were created; laborers were pressured by threat of job loss, and by evangelists; textbooks were selected for school children and a thousand other devices used to buy time from the enemy — the embattled agrarians. In all this activity Smith continued to point out to Alabama and her people the economic truth that a going concern must pay a return on investment and that constant uncertain legal pressure drives capital out. Nor did Smith ever lose the vision of a rich and prosperous, continuously developing Alabama.

Braxton Bragg Comer who became Smith's Alabama protagonist would have charged that Smith's vision of prosperous Alabama included only L. & N. bondholders and friends. Comer fought Smith as a customer of his road, as a politician, as chairman of the Alabama Railroad Commission, as governor, and after he left the mansion. He never licked Smith. Yet the victories Smith won were pyrrhic. Smith never saw that Comer was battling to aid an impoverished people from whence he drew his strength. To the L. & N. president, Comer was a demagogue driven by an insane lust for power. Yet Doster clearly shows that Comer was resourceful as well as vengeful, idealistic as well as practical, and as clever as Smith in the art of butt and gouge. Despite economic and political resources far more limited than those available to Smith, Comer gained tactical points that soon were to crumble away the political power of a well-operated wealthy railroad. In fact, Doster feels that a Supreme Court blinded by fear of the threat to corporate wealth was responsible for most of Smith's victories in Alabama. This judicial barrier, so the

author relates, checked Comer and his forces time after time. (Perhaps before 1914 Southerners, even lawyers, heeded court decisions.)

The struggle of Smith and Comer for primacy in Alabama was all-engaging from the pulpit to the highest court. While their mercenaries sometimes traded sides, neither of the principals ever cried "enough." Doster's picture of this struggle told in a detached manner is the best study of this kind yet to appear covering any Southern state. He is to be commended for his judicious presentation of facts and the pains he took both to unravel the tangled and to tie in the loose threads. He should also be commended for deliberately underwriting much of the crisis material which would have required moralistic judgments. *Railroads in Alabama Politics, 1875–1914* suffers only by the lack of companion volumes on other states in the same period.

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COMMITMENT TO FREEDOM, THE STORY OF THE CHRISTIAN SCIENCE MONITOR. ***By Erwin D. Canham, Boston, Houghton Mifflin Company, 1958. Pp. xxiv + 454. $4.85.***

Reviewed by Elizabeth Bricker Currier
San Francisco, California

Perhaps the most remarkable example of idealism successfully employed as the basis for a practical and profitable enterprise is *The Christian Science Monitor*. The paper's mandate, given by Mary Baker Eddy, founder of the Monitor, is, ". . . to injure no man, but to bless all mankind." (P. 56.) Throughout *Commitment to Freedom*, Erwin Canham expresses that ideal in various ways. The Monitor's basic dedication, he writes, is, ". . . to the unfoldment of man's birthright as a child of God. . . ." (P. 364.) Its profound purpose is ". . . to contribute to the regeneration of all mankind." (P. xvi.) The paper's mission is ". . . with honesty, moderation, foresight and candor — to help give humankind the tools with which to work out its salvation." (P. 435.) These ideals are not merely mottos on the office walls. From the outset the Monitor was intended to fulfill its purpose in a practical, nondenominational way. The first Monitor editor made it clear that the new publication was to be a "real newspaper." Furthermore, the Deed of Trust under which the paper operates requires that there be a profit. Monitor maintenance is not a matter of subsidy, for, as the author explains, "Its editorial prestige would rest on utterly unsound pillars if subsidy were the presumed support." (P. 384.)

The fact that *The Christian Science Monitor* meets the commercial imperatives that govern all newspapers while adhering to its ideals makes it a kind of daily astonishment to professionals. How it has been able to do so makes interesting and provocative reading in this book written at the Monitor's fiftieth anniversary by its celebrated editor, Erwin D. Canham. This is rare business history, not only for the obvious reason that the paper is an extraordinary subject, but because of the manner of its telling. It is unequivocal coverage of policy, administration, problems, and people. This perhaps is not so surprising in view of the standards of Monitor journalism, but it is more than one usually finds in an "inside" history, especially when the author announces, as does Mr. Canham, that the

book is not a "neutral history." But lack of neutrality in this instance seems to be more of a dedication to the paper's purpose, an honest affection for those who have shared and worked with its ideals. It does not mean a disregard of trials and disappointments. In view of Mr. Canham's reputation and abilities, it may seem superfluous to say that this is a highly readable book, but his skill is so rewarding to the reader it cannot go without comment.

The business affairs of the Monitor are managed by the Board of Trustees of The Christian Science Publishing Society. The Board of Directors of The Mother Church, The First Church of Christ, Scientist, in Boston, are directly in charge of Monitor editorial policy. Despite this close association with the church organization and its "proudly borne" name, the newspaper is nonsectarian and nondenominational. Its copy is inspired by deep convictions and insights, "but it must not be preachment or proselytizing." (P. 276.) This fact is undoubtedly well-known to all who read the Monitor, but as a point of policy in its history it has been of major importance. In *Commitment to Freedom* the author does give enough of the religious background of Monitor thinking, however, to clarify its position. It is helpful to have this background to understand such remarkable events as the Monitor's beginning. In August, 1908, Mrs. Eddy sent a note to the directors requesting them to start a daily newspaper called *Christian Science Monitor*. The note concluded, "This must be done without fail." (P. 22.) To the Board of Trustees went another letter with the directive, "Let there be no delay." (P. 23.) And there was none. Without benefit of any newspaper experience, the faithful stewards went to work. Within little more than one hundred days a professional staff had been gathered, a block of buildings had been razed to accommodate a publishing headquarters, machinery had been designed, ordered, and set up, news services had been acquired, and policies and methods had been worked out. On November 25, 1908, the first Monitor went to press.

For the Monitor, attitudes, writing style, and scope of news coverage have been matters of greater concern than in the usual newspaper. While the paper was under the direct observation of Mrs. Eddy, it was free and forthright. Its interest covered whatever was of public importance or affected public welfare. After Mrs. Eddy passed on in 1910, the boldness of her own kind of journalism was replaced by a set of taboos that did not start to fade until the mid-1920's. In 1914 new leadership was necessary and the directors appointed as editor Frederick Dixon of London. The erudite Dixon was on intimate terms with Colonel House and his own papers abound with records of talks with presidents and international figures. The excerpts from his diary notes in the text are particularly interesting. Mr. Dixon's ethics, however, were those of British journalism of the period and as a result the Monitor took on a staid appearance, eventually becoming something of a diplomatic chronicle. The end of his editorship was part of a larger crisis within the church organization and, in the wake of litigation, Willis J. Abbot was appointed to the office. Mr. Abbot's experience as a professional journalist brought needed vigor to the paper.

The revitalizing program that started in 1922 came at an important

time in world history. A paper committed to blessing mankind needed to be at full strength. One major step for the Monitor was the rebuilding of a staff. The young recruits of the 1920's such as Richard Lee Strout, Standley High, Roscoe Drummond, and Erwin Canham were trained by Paul S. Deland in what they called the Deland School of Journalism. His discipline in accuracy, precision, and clarity and his training in turning the news "right side up" made a lasting contribution. It was the start of a professional staff practicing real Monitor journalism. In the 1930's the paper began to prove its full stature; experience, leadership, and ideas all came together finally. Special effort was made to abolish the limitations and inhibitions of the past and to raise stylistic sights. At the urging of some British supporters, Lord Lothian and Viscount and Viscountess Astor particularly, a weekly rotogravure magazine oriented to world affairs was started. Though the magazine was a success, it was discontinued in 1949, and its wealth of features was incorporated in the daily editions, thus assuring every day's issue of the same high quality. At the end of World War II another study was made of the paper's editorial and news aspects. Then, and now, the chief problem was how to make the Monitor valuable to the great majority of readers who receive the paper days after publication. The effort has been to make Monitor copy "stand up"; to give added value beyond the mere reporting of news.

Finally, the last section of the book is a candid view of the Monitor today. The organization as a business undertaking is fully outlined, budget figures of 1957–1958 are incorporated, its role as an advertiser is analyzed together with a statement of its circulation and readership. In a larger frame, the Monitor's influence on modern journalism is evaluated, an influence which Mr. Canham concludes has been "substantial, if elusive." (P. 419.) The fact that the Monitor reaches 4,500 newspaper offices every publishing day would tend to substantiate that conclusion. Also it is significant that the Monitor is read in 120 countries. To those readers overseas, the author writes, "the Monitor — though universal in approach — is nevertheless the voice of American idealism." (P. 423.)

In addition to Monitor history, *Commitment to Freedom* is something of a synopsis of the world's history in the last fifty years. Profiles of presidents and the salient issues of their times, Monitor war correspondents and their fields of action, current problems of the "awakening multitudes," all are skillfully brought into the mainstream of the Monitor story. In viewing the world through Monitor editorials and news coverage of a half century, the reader understands how the paper has fulfilled its purpose. Part of the paper's responsibility has been to foresee the dangers ahead for the world, and the high degree of accuracy in Monitor prophecy is striking. In line with the Monitor's awareness of tomorrow, the final brief chapter looks to the future and the reviewer commends its reading to anyone who has felt some concern for the years ahead. Mr. Canham recognizes the opportunity to carry to all mankind the great news of our time: "the fact that men do not need to destroy the society they have been so long and arduously building. The fact that men have the truth on which the edifice of peace and of individual rebirth can rest." (P. 437.) The Monitor's commitment to freedom seems firmer and more urgent than ever. Its story is valuable reading.

Articles in this issue

BUSINESS HISTORY REVIEW

The Beginnings of "Big Business" in American Industry

The growth of big business in America in the last two decades of the nineteenth century was primarily a response to the rise of urban markets — a result, in turn, of the spreading railroad network. Then, as a new century began to unfold, the dominant influence upon big business development came to be technological. Discernible patterns of integration, combination, diversification, and administration influenced and were influenced by the rise of huge companies and oligopolistic industries. Price competition yielded to other strategic weapons, and the whole economy adjusted to make room for the young giants in its midst.

ALFRED D. CHANDLER, JR.

Boom Stages in American Expansion

In the years from 1880 to 1910 the Pacific Northwest went through a development that appears to have been broadly typical. This boom stage, a nonrecurrent frontier phenomenon, is actually the process of integrating the developing area with the national economy. The patterns set in the pliant boom era by forceful "ground floor operators" are likely to harden into long-term permanence.

CHARLES M. GATES

The Perfect Melodeon: The Origins of the Estey Organ Company, 1846 1866

The founding of the Estey Organ Company is a case study in the precarious cut-and-try method by which, in the nineteenth century, most American firms were created. Fleeting partnerships reflected the continuous search for and exhaustion of numerous small reservoirs of capital. Survival and growth were tied to increasing entrepreneurial specialization, broadening markets, and immunity to developing geographic handicaps.

MILTON J. NADWORNY

A Tidewater Merchant in New Hampshire

In post-Colonial days and well into the nineteenth century the merchant's role in smaller communities was incredibly versatile and complicated. This study calls attention to one such "Yankee trader," who was the focal point for scores of enterprises but whose nonspecialized adventures became progressively restricted with changing times.

ROBERT W. LOVETT

Local Entrepreneurship in Saudi Arabia

What happens when a major modern enterprise superimposed on a country where business patterns have been fixed for centuries? One of the most interesting reactions is that by entrepreneurs in the national population. Adaptation, imitation, and eagerness are characteristic responses, and these go remarkably far in solving the problems of carrying on a twentieth-century business in a fifteenth-century economy.

RICHARD N. FARMER

From Business To Government
A Review Article

Tawney's recent study of Lionel Cranfield, seventeenth-century British merchant-politician, leads directly to contemplation of fundamental and currently pertinent issues raised by the businessman in government, including that of the appropriateness of his skills in a political setting.

BARRY E. SUPPLE

2

SUMMER 1959

IN THIS ISSUE

ARTICLES SUMMARIZED ON BACK COVER

BUSINESS HISTORY REVIEW

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BUSINESS HISTORY REVIEW

COVER: Texas Cattle in a Kansas Corral, 1888. Drawn by Frederic Remington.
Page 121: Frontier Cowboy, 1888.
Page 138: Wall Street Panic of '84.
Page 156: Early Midwest River Commerce.
Page 165: Kansas Meat Packing, 1873.
Page 190: A Ten Stamp Western Ore Mill, 1890.

BUSINESS HISTORY REVIEW

CONTENTS

(continued on next page)

PUBLISHED QUARTERLY BY THE HARVARD GRADUATE SCHOOL OF BUSINESS ADMINISTRATION

VOLUME XXXIII, NUMBER 2 SUMMER 1959

C O N T E N T S

(continued)

BOOK REVIEWS

(continued on inside back cover)

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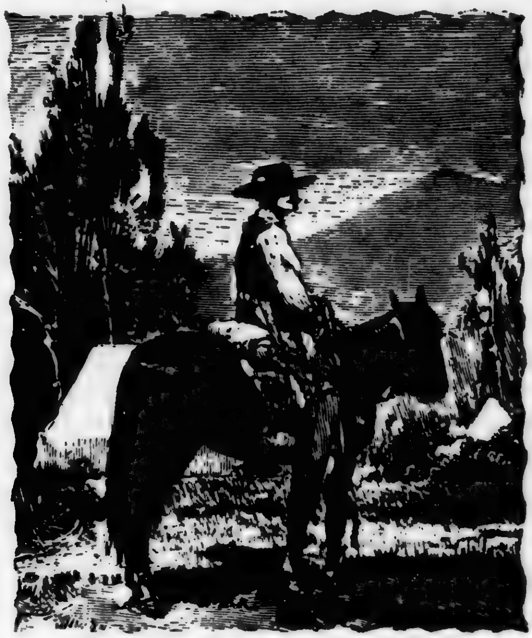

Teschemacher and deBillier Cattle Company

A Study of Eastern Capital on the Frontier

Adventure as well as hope for great gain touched off the western cattle boom of the 1880's. The magic lure of the West proved irresistible even to conservative Eastern financiers. Losses were large, but the disillusioned and precipitous withdrawal of capital made them even larger.

by Gene M. Gressley

ARCHIVIST
AT THE UNIVERSITY OF WYOMING LIBRARY

BRAND

In the last quarter of the nineteenth century, the entire American West symbolized economic opportunity. Few developments, however, fired Eastern imagination and dreams of economic gain as much as did the western range cattle industry.

Nor was the prospect of financial return the only attraction for the Eastern investor.

The number of Harvard graduates alone that appeared on the cattle frontier is ample testimony to the fact that long hours were spent in the Hasty Pudding Club by scions of wealthy families romanticizing the West as a place for adventure.[1] Already "the myth of the American Cowboy" was finding a permanent niche in our folklore.

Whatever his motives might have been for enamorment with the West, the Eastern financier did not have to search far to discover ample justification for investing in the cattle industry. Starting in the middle 1870's, a barrage of literature appeared, describing in glowing terms the opportunity for financial rewards to be reaped from the open range. James B. Brisbin, in his *The Beef Bonanza: or, How to Get Rich on the Plains*, a title not calculated to induce skepticism, was moved to write:[2]

> I have often thought if some enterprising persons would form a joint stock company for the purpose of breeding, buying, and selling horses, cattle and sheep it would prove enormously profitable. I have no doubt but a company properly managed would declare an annual dividend of at least 25 per cent. Such a company organized, with a president, secretary, treasurer and board of directors, and conducted strictly on business principles, would realize a far larger profit on the money invested than if put into mining, lumber, iron, manufacturing, or land companies. Nothing I believe, would beat associated capital in the cattle trade, unless it would be banking, and stock raising would probably fully compete with even banking as a means of profit on capital invested in large sums.

If Brisbin was enthusiastic, A. T. Babbitt, manager of the huge Standard Cattle Company, was rapturous over the very thought of fortunes to be made in the cattle business. Indeed, Colonel Babbitt believed that it was almost an impossibility to fail. He wrote,[3]

> I have referred to this great interest as Phenomenal, first, on account of its vast magnitude so suddenly attained, and secondly, for its unparalleled business records as to profits realized, and the almost absolute absence of instance of failure on the part of those who have embarked in the business. The statement has been repeatedly made, and, to my knowledge, never questioned, that the history of the business records no case of failure where reasonable care has been bestowed, together with the employment of capital proportioned to the volume of business carried on. Such a record of business thrift and success I believe to have no parallel in the annals of productive or mercantile industry in this country, and abundantly justified its characterization as phenomenal.

[1] Richard M. Allen, "Harvard Men in the Range Cattle Business," *Harvard Graduates Magazine*, Vol. II (1894), pp. 183–192.

[2] James B. Brisbin, *The Beef Bonanza: or, How to Get Rich on the Plains* (Philadelphia, 1882), pp. 65–66.

[3] A. T. Babbitt, "The Grazing Interest and the Beef Supply" (Cheyenne, March 10, 1884), p. 4.

Roosevelt & Son,
32 Pine Street.

New York, Oct 30th 1882

Messrs Teschmaker & De Billier
Box 316
Cheyenne
Wyoming Territory

Sirs

At the request of Mr Theo Roosevelt we forward you check for $10.000 and desire you to return to us the stock in the cattle raising company which you represent.

Yours respectfully
Roosevelt & Son

P.S. Please register the stock in the name of Theodore Roosevelt.

Only two years would elapse before these words would be a source of embarrassment to the author.[4]

Two Harvard classmates, Frederic O. deBillier[5] and Hubert E. Teschemacher[6] decided to follow the advice of prophets like Brisbin and Babbitt and leave for the West. They arrived in Wyoming in the autumn of 1879. Both men were from families with considerable means and important connections in Eastern financial circles. Soon after arriving in Cheyenne, the two partners inquired about possible sites for their ranching operations.[7] Two months later they were in business, with the purchase, for $9,000, of E. H. Warner's Duck Bar Ranch,[8] 95 miles north of Cheyenne.[9]

[4] Other seers of great fortunes to be made in the cattle industry were: George A. Batchelder, *A Sketch of History and Resources of Dakota Territory* (Yankton, 1870); Reginald Aldridge, *Ranch Notes in Kansas, Colorado, the Indian Territory and North Texas* (London, 1884); Walter von Richtofen, *Cattle Raising on the Plains of North America* (New York, 1883); A. A. Hayes, "The Cattle Ranches of Colorado," *Harper's New Monthly Magazine*, Vol. LIX (1879), pp. 877–895; Robert E. Strahorn, *Hand-book of Wyoming and Guide to the Black Hills and Big Horn Region for Citizen, Emigrant and Tourist* (Cheyenne, 1877); Frank Wilkenson, "Cattle Raising on the Plains," *Harper's Monthly Magazine*, Vol. LXXII (1886), pp. 788–795.

Even the normally conservative members of Parliament who came to investigate the agricultural conditions of the United States, could not restrain themselves from commenting on the lucrativeness of the cattle industry. John Clay wrote, "The acknowledged profits upon capital invested in cattle are 25 to 33 per cent; even the latter figure is probably below the mark." John Clay, Jr., "Reports of the Assistant Commissioners to inquire into the agriculture of the United States and Canada, by Clare Read, Albert Pell and John Clay, Jr.," Great Britain. Parliament. *House of Commons Sessional Papers*, 1881, Vol. III, pp. 819–828.

[5] Frederic deBillier was born in New York City, Dec. 16, 1857. His father was a partner in the financial house of Weston and deBillier. Graduating from Harvard in the class of 1878, he spent three months in a brokerage house on Wall Street, followed by another three months in Texas. In Sept., 1879, deBillier went into partnership with H. E. Teschemacher in Cheyenne. After the Johnson County Cattle War of 1892, he suffered a nervous breakdown and left for New York City. The next three years were spent traveling through Europe. He was connected with deBillier and Company from 1896 to 1908. In the latter year, deBillier entered the United States Foreign Service. During the next 16 years, he was appointed to a succession of diplomatic posts in Iran, Greece, Bolivia, Rome and Peru. DeBillier retired in July, 1924; he died at Nice, France, in 1935. *Harvard College Class of 1878. Report of 1884*, pp. 17–18; *Report of 1892*, pp. 24–25; *Report of 1901*, p. 24; *Report of 1928*, pp. 22–23; *Register of the Department of State* (Washington, 1924), p. 115; *Register of the Department of State* (Washington, 1925), p. 117.

[6] Born in Boston, Massachusetts, on June 30, 1856, Hubert E. Teschemacher was the son of Henry F. Teschemacher, California merchant and early mayor of San Francisco. After graduation from Harvard in 1878, Teschemacher spent six fruitless months studying law at his *alma mater*. Turning to the cattle business for an occupation, he left for Wyoming in August, 1879. "Teschy," as he was called by his friends, was quite popular in the Territory and played a much more prominent role in local politics than did his partner, deBillier. He served on the executive committee of the Wyoming Stock Growers Association, 1883–1892. He was also a member of the Territorial House in 1884; member of the Territorial Council in 1886, and delegate to the Constitutional Convention of 1889. He left the West in 1892, residing with his parents in Switzerland until their deaths. Returning to New England, Teschemacher died in Boston, Jan. 25, 1907, after a short illness of pneumonia. N. S. B. Gras, ed., "Business Letters From San Francisco Bay, 1847–1853," *Journal of Economic and Business History*, Vol. 1 (1929), pp. 325–334; *Harvard College Class of 1878*, pp. 81–82; *Report of 1892*, pp. 121–122; *Report of 1901*, pp. 115–116; *Report of 1928*, pp. 221–223. The author is indebted to Charles K. Cobb of Boston, son of the Teschemacher family attorney, for biographical information on both F. O. deBillier and H. E. Teschemacher.

[7] Arthur E. Teschemacher, Hubert's brother, accompanied the two Harvard men to Cheyenne. He never appears to have played a very active role in the management of the company, although he did purchase $30,000 worth of stock.

[8] Little biographical information is known about E. H. Warner, other than the fact that he came up the Texas Cattle Trail in 1878 and founded the Duck Bar Ranch. Warner was

In rapid succession Teschemacher and deBillier bought two other nearby properties, The Cottonwood Ranch from Tobias Miller[10] for $13,000 and the Red Buttes Ranch from D. H. Andrews for $3,600.[11] Very little real estate was acquired in these transactions; in fact, all three ranches totaled only 1,740 acres of patented land. Of course the partnership was allowed to graze its cattle, as the former owners had done, on the free government land. The availability of this free land was the mainstay of the whole cattle economy, as every nineteenth-century rancher would have been forced to admit if pressed on the subject.

Most of the purchase price was represented by 1,600 head of cattle, 35 horses, and miscellaneous ranching equipment.[12] Finally, their cattle herd was rounded out with the acquisition of 378 more head from H. G. Newcomb and S. B. Chaffee.[13]

Within nine months after stepping off the train in Cheyenne, the young Easterners were the hopeful proprietors of three ranches and 2,000 head of cattle. A year later, in the autumn of 1881, their anticipated financial success seemed assured with the realization of $34,031 profit on a total investment of $158,600.[14] Of the latter figure, $147,200 was represented by 6,582 head of cattle.[15] The tripling of the herd in 1881 was undoubtedly due to added funds provided by H. E. Teschemacher's father, since there is no evidence of any loans being made to the partnership.[16]

The excellent return of 1881 was all the encouragement that Teschemacher and deBillier desired to dispel any misgivings in their minds about the bright future of the cattle industry. The only inhibiting factor to an apparent fortune was the lack of capital. In anticipation of remedying this problem, Teschemacher returned to Boston and New York in the winter of 1881–1882. Proof of the success of his efforts came with the incorporation of the Tesche-

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among the first cattlemen to stock his ranch with the heavier type cattle from Oregon. James C. Shaw, *North From Texas* (Evanston, Illinois, 1952), pp. 90–91.

[9] Bill of Sale, E. H. Warner to H. E. Teschemacher and F. O. deBillier, Nov. 29, 1879, Cheyenne, Wyoming. Teschemacher and deBillier Collection, Western History and Archives Department, University of Wyoming, Laramie. Hereafter cited, T. and deB. Coll.

[10] Bill of Sale, Tobias Miller to H. E. Teschemacher and F. O. deBillier, March 8, 1880, Cheyenne, Wyoming. T. and deB. Coll.

[11] Bill of Sale, D. H. Andrews to H. E. Teschemacher and F. O. deBillier, March 8, 1880, Cheyenne, Wyoming. T. and deB. Coll.

[12] Ledger, 1881–1882, p. 12. T. and deB. Coll.

[13] Bill of Sale, H. G. Newcomb to H. E. Teschemacher and F. O. deBillier, June 8, 1881, Cheyenne, Wyoming. Bill of Sale, S. B. Chaffee to H. E. Teschemacher and F. O. deBillier, May 17, 1881. T. and deB. Coll.

[14] Ledger, 1881–1882, p. 18. T. and deB. Coll.

[15] *Ibid.*, p. 22.

[16] H. F. Teschemacher to H. E. Teschemacher, Jan. 9, 1881. T. and deB. Coll.

macher and deBillier Cattle Company on August 28, 1882, in Cheyenne.[17]

Authorized capital of the company was set at $250,000, of which $211,100 was paid up. Of the 2,111, $100-shares issued, the Teschemacher family subscribed 906 shares; the deBillier family 494 shares; Boston financiers, E. V. R. Thayer, J. C. and E. F. Whitney, 154 shares; Harvard classmates H. C. Leeds and James E. Parker, 230 shares. The rest of the stock subscription, 327 shares, was divided in small allotments between many Boston and New York entrepreneurs.[18]

The first Board of Trustees meeting of the new enterprise was held on April 29, 1882. Teschemacher and deBillier were elected president and secretary-treasurer respectively.[19] The two classmates were also made co-managers – each receiving as compensation for his services 5 per cent per annum of the total profits after a 5 per cent dividend had been paid to the stockholders.[20]

The effect of the additional funds raised by the incorporation process is reflected in the annual statement for November, 1882.[21] The company's cattle – 8,882 head – was now valued at $212,050.[22] The profit from the year's operations was listed at $50,000; from this amount two 5 per cent dividends were declared and the rest of the profit was put into a capital reserve fund.

Speculative fever in the cattle industry was reaching its height in Cheyenne at the time of the issuance of the Teschemacher and deBillier report in the fall of 1882. In August of that year, the Swan, Frank and Anthony Cattle Company, forerunner of the huge Swan Land and Cattle Company, was formed. During the entire autumn of 1882 the local newspaper, the *Cheyenne Leader*, announced daily the formation of some new cattle firm or partnership.[23]

With each successive cattle company's announcement of high divi-

[17] Incorporation of the Teschemacher and deBillier Cattle Company. Record of Incorporations, Secretary of State, Cheyenne, Wyoming, Vol. I (1881), p. 468. The objects of the company were given as, "the buying, selling, grazing and breeding of cattle and horses in the Territory of Wyoming and in other parts of the United States as the successful prosecution may require; and also to purchase hold and sell real estate, ranches, ranges for grazing purposes, water privilege rights in the Territory of Wyoming and in other parts of the United States as the same may be necessary or conducive to the interest of the Company." The duration of the corporation was listed as five years.

[18] Stockholders Book, p. 19. T. and deB. Coll.

[19] Record Book, 1882, p. 5. T. and deB. Coll.

[20] Richard Trimble to Merritt Trimble, Aug. 27, 1882. Richard Trimble Collection, Western History and Archives Department, University of Wyoming, Laramie. Hereafter cited as Trimble Coll.

[21] Annual Statement, 1882, p. 2. T. and deB. Coll.

[22] Between Feb. 1, 1882, and April 18, 1884, there were 91 cattle companies filing incorporation papers. Records of Incorporations, Secretary of State's Office, Cheyenne, Wyoming.

[23] Of the 2,300 additional head of cattle, 618 are attributed to natural increase of the herd. Annual Statement, 1882, p. 3. T. and deB. Coll.

dends the excitement mounted. Everywhere on the streets of the capital city there was talk of expansion. The cattle boom was on! No more able to resist the lure of excessive earnings than their fellow cattlemen, Teschemacher and deBillier decided for the second time within a year to enlarge the stock of their company. Instead of returning East this time, the co-managers circulated a form letter among their stockholders asking for their advice on the feasibility of increased capital and whether they personally would be willing to take additional stock. The unanimity of the stockholders' replies to the inquiry was impressive.[24] The investors were almost of one accord in advising the augmentation of the company's funds, and the sooner the better. An excellent commentary on this fact is that Wall Street, as well as Carey Avenue in Cheyenne, was not insensitive to glowing and optimistic annual statements being issued by cattle firms.

After receiving the last of the stockholders' letters sanctioning the proposed expansion, a new set of incorporation papers was filed in Cheyenne on November 8, 1882.[25] The authorized capital was increased from $250,000 to $750,000.[26] The paid-up capital reached $491,600. A majority of the extra stock was taken up by the original investors. However, three new subscribers, Theodore Roosevelt,[27] John Bigelow[28] and Richard Trimble[29] provided $50,000 of the

[24] Augustus Gurnee to H. E. Teschemacher, Sept. 9, 1882; Ebenezer Roby to H. E. Teschemacher, Sept. 12, 1882; E. Willard Roby to H. E. Teschemacher, Sept. 11, 1882; P. E. Teschemacher to H. E. Teschemacher, Sept. 22, 1882. T. and deB. Coll.

[25] Incorporation of the Teschemacher and deBillier Cattle Company, Record of Incorporations, Secretary of State, Cheyenne, Wyoming, Vol. I (1881), p. 549. The only major change in this incorporation, besides the increased capitalization, was the duration of the company now optimistically set at 50 years rather than 5.

[26] As far as the writer has been able to ascertain from the records of the company and from the subscription letters of the stockholders, there was no watered stock in the enterprise. Nor does there seem to have been any preference given to individual stockholders in dividend payments. Many companies in the West, at this period, differentiated between stockholders to the extent that some investors in these companies received double the dividends given to other proprietors of stock. Of course, watering stocks was a common occurrence in many corporations both East and West.

[27] Roosevelt's investment totaled $10,000. Roosevelt and Son to Teschemacher and deBillier, Oct. 30, 1882. T. and deB. Coll.

[28] John Bigelow was born in New York City on Nov. 25, 1817. After receiving his Bachelor of Arts degree from Union College, he was admitted to the Bar in 1839. Bigelow served as an editor of the *New York Post*, 1849 to 1861. From 1861 to 1867, he was United States Consul and Minister to France. A lifelong friend of Samuel J. Tilden, he was both administrator and president of the Tilden estate. In this capacity, Bigelow was instrumental in providing funds from the Tilden estate for the New York Public Library, an institution of which he has been called the "father." He was the author of some 20 volumes; *The Life of Samuel J. Tilden* and *Retrospections on a Busy Life* are most well-known. Bigelow died in 1911.

[29] Born in New York City on March 26, 1858, Richard Trimble graduated from Harvard in 1880. That fall he took a round-the-world trip with his intimate friend Robert Bacon. After his five-year sojourn with the Teschemacher and deBillier Cattle Company, he left Wyoming in 1887 to enter business in New York City. His career was interrupted by the Spanish-American War, in which he served as an Ensign. Trimble took an active part in the formation of the United States Steel Corporation, becoming its first Secretary-Treasurer, a position he held until 1924. He died at his home in New York City, Feb. 18, 1924. His daughter, Margaret Trimble Pease, has generously deposited in the Western History and

new issue. Both Trimble and Roosevelt were classmates of Teschemacher and deBillier at Harvard. Richard Trimble became interested in the cattle business on his way back across the continent from San Francisco to New York in August of 1882. He returned in October to invest $30,000 in the company; the following year he was elected secretary-treasurer, replacing Fred deBillier. DeBillier retained the office of co-manager.

The extra funds under the new incorporation had hardly been subscribed before Teschemacher and deBillier launched their expansion program. The Cross T Ranch, owned by Cheyenne banker T. A. Kent, was purchased in December, 1882, for $18,000.[30] This was quickly followed by the acquisition of a half interest in the extensive company of neighboring rancher John Hunton for $55,000.[31] Finally, their real estate acquisitions were rounded out with the purchase of J. H. Gordon's holdings for $45,000 in November of 1883.[32]

The cattle obtained with these three ranches, plus additional yearlings bought during the year 1883, placed the number of their herd at 18,750, with a total market valuation of $483,750.[33] With the company's enlarged resources plus an excellent cattle market, in which the Teschemacher and deBillier company steers brought an average of $38 per head, one could have reasonably expected comparably higher returns for 1883. Unfortunately this was not the case; lower profits forced the managers to declare two 3 per cent dividends for the year.[34] Unusual labor costs and excessive expenditure for capital outlay were the only explanations offered for the decline in the fortunes of the company. Obviously the validity of the latter reason could be questioned in the light of the fact that all recent real estate had been procured from extra funds made available by the enlarged capitalization. This leakage in the company's finances was to become more pronounced with the passage of time.

The note of forewarning sounded in 1883 grew into a crescendo during the next two years. Investors who had been so eager since 1880 to leap in response to all rumors of visionary gains were now set a-jitter with indications that the boom was over.

The impending end of the open range heralded by the advent of

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Archives Department a collection of family letters bearing on her father's experiences in the West.

[30] Ledger, 1883–1885, p. 29. T. and deB. Coll.

[31] "John Hunton's Diary, May 1, 1883," *Lingle* (Wyoming) *Guide Review*, July 25, 1957, p. 1. Virginia Trenholm, *Footprints on the Frontier* (Douglas, Wyoming, 1945), p. 135.

[32] *Cheyenne Daily Leader*, Nov. 8, 1883, p. 3.

[33] Annual Statement, 1883, p. 3. T. and deB. Coll.

[34] *Ibid.*

barbed wire, the closing of the Texas Trail, overstocking of the range, and rapid spread of cattle diseases all combined to shake confidence in the cattle industry.

If definite proof of the instability of the cattle business was needed, it came in November, 1884, when the price in Chicago of range stock dropped to $2.50 per hundredweight.[35] One stock journal counseled, "If you have steers to shed, prepare to shed them now" [36] – advice which obviously would contribute little toward restoring confidence in the cattle market.

Teschemacher and deBillier managed to pay one 4 per cent dividend in 1884 and again in 1885.[37] However, these dividend payments were accomplished only by sacrificing all reserve capital. In fact, the company borrowed $42,000 in June, 1884, to meet expenses.[38] This debt was liquidated largely by the receipts from the November sales.

The omnipresent defect – loose management – which began to be apparent in 1883, was fully revealed in the company's operations after 1884. Expenses were entirely out of line with earnings. Out of an income of $65,000 in 1884, expenses were $46,276.[39] Due largely to a decline in cattle prices, the statement for 1885 was even worse – with an outgo listed as $43,789 and receipts of $52,075.[40] Exactly what caused these excessive costs eludes the most diligent researcher who examines the Teschemacher and deBillier financial records.[41] There are too many missing pieces (as the result of withdrawal items noted in the ledgers as, "H. E. Teschemacher – $1,500" or "F. O. deBillier – $500," with no explanation provided as to the use of the funds) to fit together an accurate picture of overhead costs.[42] Two items under the guise of "household expense" and "labor" were consistently high in the annual statements of the company.

A sizable part of the managerial difficulties can be ascribed to the division of responsibilities among the managers. By the middle 1880's Teschemacher, deBillier, and Richard Trimble were all sharing in the administration of the company's affairs.[43] The confusion resulting from this administrative arrangement was most in evidence

[35] Louis Pelzer, *The Cattlemen's Frontier* (Glendale, 1936), p. 139.
[36] *Ibid.*
[37] Ledger, 1883–1885, pp. 86, 121. T. and deB. Coll.
[38] *Ibid.*, p. 108.
[39] Annual Statement, 1884, p. 2. T. and deB. Coll.
[40] Annual Statement, 1885, p. 3. T. and deB. Coll.
[41] The unexplained funds withdrawn for 1884 totaled $7,236. Ledger, 1883–1885. T. and deB. Coll.
[42] All ledgers of the company from 1882 to 1892, have numerous entries of funds withdrawn by both managers, without providing the reasons for the expenditures.
[43] Richard Trimble to Mrs. Merritt Trimble, Oct. 14, 1886. Trimble Coll.

when the ranch foremen received conflicting and contradictory orders from two or more officers.[44]

Admittedly inefficient as the multiadministrative arrangement was, few would argue with the thesis that it was undeniably better than no direction at all to the company's affairs. Not only the Teschemacher and deBillier Cattle Company, but also most Eastern managed concerns suffered from absenteeism on the part of their officers. The Cheyenne Club, the cattlemen's luxuriously furnished meeting place in Cheyenne where caviar and liquor were dispensed with a lavish hand, proved far more attractive than the crude life on most ranches. Young Richard Trimble expressed a common viewpoint when he wrote his somewhat skeptical parents,[45]

> I am sorry thee has so little confidence in my ability to judge whether it is for my advantage to stay on the ranch or in Cheyenne. There are two sides to the cattle business, the theory and the practice, one is learned better in Cheyenne where cattle men conjugate and the other on a ranch.

Unhappily for most cattle businesses, theory was more attentively learned and employed than actual on-the-scene management.

The year 1886 contributed little to the financial betterment of the Teschemacher and deBillier company. The anticipated upturn in cattle prices failed to materialize.

Contemporary observers, so Richard Trimble noted, thought the current recession was due to[46]

> . . . a combination of reasons — labor troubles and failure of the grass in Texas, short pasturage and no rain in several states making the shipments very heavy — being the chief. These men expect a big market next year but I look for no improvement until I see it and really think that beef is just about where it should be now in proportion to other staples.

Whatever the manifold agents were, overproduction was invariably singled out as the factor contributing most to the poor market. The saturation point had long since been reached.

Notwithstanding poor prices,[47] the Teschemacher and deBillier company maintained its annual 4 per cent dividend[48] by borrowing $25,000 from the Stock Growers National Bank in Cheyenne to meet expenses.[49] The very laudable desire to maintain the level of

[44] *Ibid.*

[45] Richard Trimble to Mrs. Merritt Trimble, Feb. 22, 1883. Trimble Coll.

[46] Richard Trimble to Merritt Trimble, Sept. 14, 1886. Trimble Coll.

[47] An informative chart of comparative prices for 1885–1886 is given by W. Turrentine Jackson, "British Interests in the Range Cattle Industry," in *When Grass Was King* by Maurice Frink, W. Turrentine Jackson and Agnes Wright Spring (Boulder, Colorado, 1956), p. 254.

[48] Annual Statement, 1886, p. 3. T. and deB. Coll.

[49] Ledger, 1885–1886, p. 76. T. and deB. Coll.

dividends, whether justified or not by profits, can probably be attributed to the heavy personal investment of managers.

In accord with the pessimistic mood that reigned supreme over the range country, Hubert Teschemacher recommended to the stockholders that their firm gradually be dissolved.[50] While most of the investors agreed with this decision, some deprecated the fact that they were not more fully informed about the affairs of the company. John Bigelow wrote: [51]

> I have read your letter dated the 14th instant which will be next Friday and I infer from your statements that the best thing we can do is to wind up our business as rapidly as practicable. I now learn for the first time that pasturage on our ranges was insufficient and that you were driving your stock into neighboring states. I think this necessity and the occasion of it should have been communicated to the Stock holders.
>
> I shall feel obliged to you for an explanation of this sudden default of our range if that has made default and if not, the reason for boarding our Stock in other States.
>
> Yours very truly,
> John Bigelow
>
> P.S. Would it not be better policy to take your Stockholders in a little more of your confidence.

The final push toward disaster for the range cattle industry came with the unforgettable winter of 1886–1887. Preceded by an unusually dry summer, the winter arrived with howling blizzards accompanied by constantly below-zero temperatures. The scarcity of water and feed along with the intense cold produced the highest stock mortality on record. Research has shown the losses on the northern range were probably not more than 15 per cent, but this does not disclose the whole story.[52] Those cattle that did survive the winter were so emaciated that tax assessors in 1887 reduced the valuation of cattle in Wyoming by 30 per cent.[53]

Fully as important as the actual physical reduction in the herds was the psychological effect that reports of heavy losses had upon investors. Since 1885, credit had become increasingly hard to obtain for range enterprises; now capital became next to impossible to obtain. The dramatic and unexpected announcement of the bankruptcy of the enormous Swan Land and Cattle Company in the spring of 1887 sent reverberations through Eastern and foreign

[50] H. E. Teschemacher to E. P. Whitney, Jan. 23, 1886. T. and deB. Coll.

[51] John Bigelow to H. E. Teschemacher, May 11, 1886. T. and deB. Coll.

[52] T. A. Larson, "The Winter of 1886–1887 in Wyoming," *Annals of Wyoming*, Vol. XIV (1942), pp. 5–17. Another viewpoint is offered on this winter by R. S. Fletcher, "The Hard Winter in Montana, 1886–1887," *Agricultural History*, Vol. IV (1930), pp. 123–130.

[53] *Report of the Governor of Wyoming to the Secretary of Interior, 1889* (Cheyenne, 1890), pp. 657–659.

financial circles. Any previous doubts as to the stability of the western range cattle industry now vanished completely. The boom had collapsed.

The Teschemacher and deBillier Cattle Company survived the calamitous winter in better condition than many Wyoming firms. Hubert Teschemacher estimated the cattle loss at 10 per cent of the herd, or 1,210 head of cattle.[54] Since 1885, when their herd numbered 20,835, the managers, in accordance with their announced policy, had been systematically reducing the size of their cattle holdings until, by the fall of 1887, they owned 12,104 head.[55]

Prices continued their downward trend in 1887. In spite of the poor market the annual 4 per cent dividend was maintained.[56] This was accomplished only after resorting to a $36,000 loan from the Stock Growers National Bank.[57] In reviewing the past year, Teschemacher wrote in his annual report,[58]

> Since our last annual meeting the range cattle business has passed through the worst year in its history. A winter of unusual severity in Montana and northern Wyoming caused a heavy loss on the range. This was followed by a very hot and dry summer in the central western States, causing farmers to ship to market everything that could go thus preventing any rise in the beef during the Fall. The number of cattle received in Chicago during the year was 2,377,852, an increase of 413,952 over the previous year. No further reason is necessary to account for the low prices. . . .
>
> There is very little doubt in my mind that there will be an advance in the price of beef next year and with this will come an advance in value of the range cattle, but I am still of the opinion that the company should dispose of their cattle as soon as practicable, and shall use every opportunity to effect the sale of the herd or any part of it.

Teschemacher, for once, was an accurate prognosticator. Cattle prices for the first time in four years began to rise slowly. A 4 per cent dividend was again declared by the company.[59] In 1888, because of economies in labor and general expense accounts as well as the better market, no borrowing was necessary. Even with the improvement in the financial condition of his company, Teschemacher remained convinced that the assets of the company should be liquidated as soon as possible. He noted in his annual report for 1888: [60]

> In view of the settlement of the country on and around the Company's

[54] Annual Statement, 1887, p. 1. T. and deB. Coll.
[55] *Ibid.*, p. 3.
[56] *Ibid.*, p. 1.
[57] Ledger, 1885–1886, p. 102. T. and deB. Coll.
[58] Annual Statement, 1888, p. 1. T. and deB. Coll.
[59] *Ibid.*
[60] *Ibid.*, p. 3.

range, I still advise the sale of the herd as soon as possible. I feel that there will be an advance in cattle during the next few years, but the risk of keeping our present number of cattle on a range rapidly closing up is too great in view of the possibility of a severe winter.

This turned out to be sagacious advice in the light of economic developments in 1889. Prices plummeted to a new low on the Chicago and Omaha markets. Steers that had brought $31 a head the year before now sold for $22.50.

Radically decreased cattle receipts made a reduced dividend inevitable. The Teschemacher and deBillier Cattle Company declared a 3 per cent dividend for 1889.[61]

Upon learning of the diminished returns on his stock, John Bigelow acrimoniously remarked,[62]

I have been looking over your last statement today. It shows that our capital has shrunk about one third; that the calf crop has fallen way about fourteen per cent from the year 1887 and to have been less than forty per cent on the supposed number of cows in the herd and finally that of the $40,000 profit from the ranch for 1887 about half has been paid its owners.

The expenses are manifestly disproportionate to the earnings. I would feel greatly obliged if you would send me a list of the people employed on and for the ranch during the past year with their respective compensations and also a statement of the supplies and cost, neither of which appears in your report. I believe there must be some leakage in this department of the business which is worth looking after. . . .

Bigelow, though the most vocal, was not the only stockholder to observe and protest that the expenses of the company bore little relationship to the earnings – certainly a justified criticism. Teschemacher and deBillier had never consistently succeeded in implementing the necessary reduction in expenditures. Extravagances in the early formation of the company were attributed to unavoidable costs in inaugurating a new business. However, there was never an adequate explanation as to why these incipient costs remained at their same high level year after year.

The 1889 dividend undoubtedly seemed magnanimous to the stockholders when they received only 1½ per cent for each of the years 1890 and 1891.[63] Nor was much progress made in these latter years in winding up the affairs of the company. Finally, in 1892, events took a turn which expedited the dissolution of the Teschemacher and deBillier concern.

This year occurred the Johnson County Cattle War, in which

[61] Annual Statement, 1889, p. 1. T. and deB. Coll.
[62] John Bigelow to H. E. Teschemacher, Feb. 21, 1889, p. 1. T. and deB. Coll.
[63] Annual Statement, 1890, p. 2. Annual Statement, 1891, p. 1. T. and deB. Coll.

both Hubert Teschemacher and Fred deBillier played an active part.[64] The disastrous outcome of this fracas for the entire cattle industry in Wyoming hastened the liquidation of many cattle companies, especially those that were in shaky financial shape (a good 60 per cent of Wyoming firms).

By December, 1892, the Teschemacher and deBillier company had sold all its cattle – some 4,113 head – [65] with the exception of 1,008 head which were disposed of the following spring to Francis E. Warren,[66] Wyoming Senator and one of the West's largest livestock men.

Their ranches, totaling slightly over 2,500 acres of fee-simple land, were given to their range foremen, Thomas and James Shaw.[67] From the proceeds of their cattle sales and some ranching equipment, two 10 per cent dividends were declared and paid out to the stockholders.[68] Leaving Henry G. Hay, President of the Stock Growers National Bank of Cheyenne, in charge of the company's affairs, Hubert Teschemacher departed for Boston six days before Christmas in 1892. His departure terminated a modest but highly significant episode of Eastern capital on the frontier.

In retrospect, viewing the over-all economic pattern of the Teschemacher and deBillier Cattle Company and Eastern investments in the cattle industry generally, several conclusions are readily discernible. After the initial high profit period – actually an amazingly short time of four years on the northern ranges – careful management and stringent economy was necessary to produce minimum returns. As previously noted, a major defect in the Teschemacher and deBillier organization was the lack of adequate supervision of the firm's affairs. One does not need unusual insight to see, from

[64] The Johnson County War was the outgrowth of the financial upheaval that occurred in the northern range country after the economic collapse in 1886 and 1887. For years the larger cattlemen had suffered losses from "rustling." The heaviest depredations had traditionally taken place in Johnson County in northern Wyoming. Finally, in April, 1892, a group of major cattlemen, along with hired professional gunmen from Texas, invaded Johnson County with the expressed purpose of killing a number of the more prominent thieves. A skirmish took place a few miles south of Buffalo, Wyoming, in which the "invaders" were completely outnumbered by the residents of Johnson County. The United States troops had been ordered to the scene by the Secretary of War at the request of the Governor and Senators of Wyoming. The military officials took the cattlemen into custody, removing them to Cheyenne, where they were to stand trial. As in the case of many vigilante movements in the West, it is doubtful whether any beneficial outcome was realized. The expense involved put the cattlemen deeper in debt. The bitterness engendered is still present in Wyoming. For accounts of the Johnson County War from different aspects see A. S. Mercer, *Banditti of the Plains* (Cheyenne, Wyoming, 1894); John Clay, *My Life on the Range* (Chicago, 1924); D. F. Baber, *The Longest Rope* (Caldwell, Idaho, 1940); and R. B. David, *Malcolm Campbell, Sheriff* (Casper, Wyoming, 1932).

[65] Annual Statement, 1892, p. 3. T. and deB. Coll.

[66] Henry G. Hay to F. E. Warren, April 20, 1893, Wyoming Stock Growers Collection, Western History and Archives Department, University of Wyoming, Laramie.

[67] Virginia Trenholm, *Footprints on the Frontier* (Douglas, Wyoming, 1945).

[68] Annual Statement, 1892, p. 3. T. and deB. Coll.

the bills sent the company, that an inordinate amount of attention was paid to matters other than business.

A pertinent question might be put: Why did a group of able business leaders place their confidence — to the extent of a half million dollars — in two young neophyte managers? The only plausible answer seems to be that both men were from Eastern families of means and many of their stockholders were family friends and acquaintances. As was the case in a multitude of the other ill-directed firms in the West, the investors in practically every case were either provided with misinformation or simply were not interested in giving their investments the minute attention necessary.

Apart from the factor of mismanagement, the Teschemacher and deBillier company was plagued with problems universal to the cattle industry. These included overstocking the range, reduction in area of land both by settlers and the barbed wire enclosure movement, declining markets (especially foreign exports which plummeted in the late 1880's), inclement winters, and inflated capital expansion. All things considered, it is scarcely conceivable that any cattle company could prosper. Yet some did; the Matador Land and Cattle Company, under the surveillance of Murdo MacKenzie, and the Western Ranches, Limited, managed by the shrewd Scotsman John Clay, both retained their investors' confidence and money. Admittedly, the record for other foreign-financed firms was not as fortunate, as has been lucidly shown by W. Turrentine Jackson in a recent study.[69]

Other Wyoming cattle companies which had a number of investors from the East, such as the Warren Livestock Company, the N. R. Davis Company, the Hay and Thomas partnership, LD Ranch, and Pitchfork Ranch companies, all weathered the crisis in better shape than did the Teschemacher and deBillier concern.[70] Profits could be made in the cattle industry, but this required a degree of perseverance and attention to detail that most managers were either unwilling or unable to give their concerns.

In the last several years some researchers have frequently expounded the theory that few cattle companies provided investment returns to their stockholders. In fact, the most general interpreta-

[69] W. Turrentine Jackson, "British Interests in the Range Cattle Industry," in *When Grass Was King* by Maurice Frink, W. Turrentine Jackson and Agnes Wright Spring (Boulder, Colorado, 1956), pp. 135–330.

[70] Annual Reports and records of these companies in the Western Range Cattle Industry file in the Archives and Western History Department all confirm the fact their over-all return to investors was greater than Teschemacher and deBillier company.

tion is that the investor lost all hope of regaining his principle, let alone any interest.[71]

This exegesis derived from studies of the Wyoming cattle industry is somewhat misleading and exaggerated. Even such a poorly superintended company as Teschemacher and deBillier was far from a complete financial disaster. An investor who bought $10,000 worth of stock in 1882 would by 1893 have regained $5,700 of his investment through annual and liquidation dividends,[72] a loss of $4,300 plus interest for the nine-year period.[73] Certainly this was no financier's dream, yet the last quarter of the nineteenth century was full of stock promotions and schemes that hardly classified as ideal investments.[74] Julius Grodinsky, in his recent study of Jay Gould, has shown graphically the pitfalls that awaited the purchaser of railroad stocks and securities.[75] The investor risk and return in the cattle industry does not seem out of line with many other investment alternatives of this period.

The Eastern capitalist's tendency to sell his stock in a cattle company – usually at a depressed price – as soon as there were rumors

[71] This interpretation is especially evident in: Ernest S. Osgood, *The Day of the Cattlemen* (Minneapolis, 1929), pp. 216–258; Louis Pelzer, *The Cattlemen's Frontier*, pp. 153–169; Ora B. Peake, *The Colorado Range Cattle Industry* (Glendale, California, 1937), pp. 253–281; E. E. Dale, *The Range Cattle Industry* (Norman, Oklahoma, 1930), pp. 113–114; and Maurice Frink, *Cow Country Cavalcade* (Denver, 1954), pp. 60–61.

[72] The Teschemacher and deBillier Cattle Company dividends were as follows:

Year	Number per year	Per cent
1882	2	5
1883	2	3
1884	1	4
1885	1	4
1886	1	4
1887	1	4
1888	1	4
1889	1	3
1890	1	1¼
1891	1	1½
1892	2	10

[73] Interest rates offered by Western banks during the 1880–1890 period fluctuated widely. The Stock Growers National Bank in Cheyenne averaged 9 per cent between 1885 and 1890 on loans made to Teschemacher. In 1879, Samuel Hauser, Montana mining and banking magnate, wrote his friend D. W. Moffat, Colorado financial figure, pointing out that 18 per cent was the "very lowest known in Montana." However, by 1884 Hauser noted to the empire builder, Marquis de Mores, that "it will be impossible for us to accommodate you, as we never loan for a longer time than *six months*. Besides you could do much better East, as our rates are from twelve to fifteen percent." Interest rates in Eastern financial institutions remained more uniform during this period. Seligman and Company were requesting 6 per cent interest on loans during the year 1888. The data on Samuel Hauser were furnished the author by John W. Hakola, University of Wyoming, who is currently at work on an economic study of Hauser's role as a nineteenth-century Western capitalist. The Hauser papers, from which the above data were obtained, are in the Library of the State Historical Society of Montana, Helena.

[74] The mining industry in the West is a pertinent example of the investment hazards awaiting the Eastern financier. Mr. Hakola's researches in Samuel T. Hauser's mining companies in the Pacific Northwest have shown that of the 69 mining enterprises invested in by Hauser, 41 of them failed to pay dividends and most of them were entire financial losses. The problems of the foreign investor in the mining industry are revealed in Clark C. Spence, *British Investments and the American Mining Frontier, 1860–1901* (Ithaca, 1958).

[75] Julius Grodinsky, *Jay Gould* (Philadelphia, 1957), *passim*.

of decreased dividends is a very perceptible but often ignored element in the heavy losses that he suffered. In many instances, if the investor had held onto his stock, the principle would have been preserved and a substantial return realized. The highly speculative atmosphere which characterized so much of the western range cattle industry, was not conducive to conservative evaluations. Most stockholders, who had vivid memories of the 25 and 30 per cent returns that had been foretold, were not satisfied with a 5 per cent dividend.

While investors no doubt had occasional nostalgic recollections of one-time bright financial promise, they seem to have retained an indelible impression of the losses they suffered in the cattle industry. After 1890, one can discern very little Eastern capital flowing into the cattle industry in Wyoming or in the adjoining states of Montana and Colorado. The Eastern entrepreneur had participated in a dynamic aspect of the West's economic development, but after the financial debacle of the late 1880's he understandably regarded future contributions to Western ventures with extreme skepticism.

Sons of the Wild Jackass and the Stock Market

Heirs to the Populist-Progressive tradition in Congress declaimed, in the 1920's, against low rediscount rates, the use of bank credit for speculative purposes, the rising volume of brokers' loans, and the flow of money to New York from the hinterland. In the bull market environment of the day the warnings went unheeded, in part at least because of their origins.

by Cedric B. Cowing

ASSISTANT PROFESSOR OF HISTORY
AT UNIVERSITY OF HAWAII

Senator Robert M. LaFollette was decisively defeated in his third-party try for the Presidency in 1924. "Fighting Bob" died in 1925; so did Frank A. Munsey, the publisher and "angel" of the old Progressive Party, and Senator Edwin F. Ladd, the intellectual of North Dakota's Nonpartisan League. This sequence of events has provided historians with a convenient terminus for their discussions of In-

surgency and Progressivism.[1]

These scholars are silent on Progressivism between 1925 and 1929, except perhaps to remind their readers that George Norris was still urging the government operation of Muscle Shoals and William E. Borah was continuing his fight against armaments. Maybe this neglect of the Senate Progressives is justified, for, although they talked much, they gained few victories and were a small body of Old Believers surrounded by Philistines of the "New Era." Yet despite some outbursts of provincialism, these "Sons of the Wild Jackass," as Senator George Moses of New Hampshire dubbed them, should receive credit for putting their fingers on the vulnerable spots in the American economy of the 1920's.[2]

These insurgents have been slighted because they had no formal organization. They announced no program and there were no important conferences comparable to those of the "Farm Bloc" in 1921–1922. This was in part because the Progressives of this era were too individualistic, too heterogeneous, to compromise their convictions into any formal document. There were Roosevelt-LaFollette Republican Progressives, and Wilson-Bryan Democratic Progressives, and Henrik Shipstead, the Farmer-Laborite. Economic democracy was the core of whatever unity they had.[3]

The election of "Silent Cal" Coolidge over John W. Davis and LaFollette in 1924 was the occasion for a rapid rise in the stock market. As usual, the market upsurge reflected the glee of business at the prospect of prosperity and the continuation of the economic policies of President Coolidge and his Secretary of the Treasury, Andrew Mellon.[4]

The big blond radical from Minnesota, Henrik Shipstead, arose in the Senate to comment upon the renewed stock speculation; it was January, 1925. The Farmer-Laborite, elected in 1922, was still a relative newcomer to that body. But Shipstead delivered an address, carefully worded and replete with statistics from financial journals, to buttress his points. He declared that the prosperity of October–December, 1924, was based upon false premises; production and

[1] For example, Eric F. Goldman, *Rendezvous with Destiny* (New York, 1952), pp. 314–315; Russell B. Nye, *Midwestern Progressive Politics* (East Lansing, Mich., 1951), pp. 347, 350. Richard Hofstadter asserts that the 1920's "Congressional Progressives were on the whole a fake" and cites with approval a critic who charged them with "underlying party regularity." *The Age of Reform, From Bryan to F. D. R.* (New York, 1955), pp. 281–283. Their Senate voting record, 1925–1933, refutes this claim, however; it shows a definite and consistent insurgency in socio-economic matters, a pattern scarcely altered from that of 1910! Hofstadter's "other-directed" antipathy for the "inner-directed" moralistic nativism characteristic of most Midwest Populists and Progressives has made him too suspicious of their sincerity and too ready to discount their remedies.

[2] Ray Tucker and Frederic Barkley, *Sons of the Wild Jackass* (Boston, 1932), pp. i–iii.

[3] *Ibid.*

[4] Nye, *op. cit.*, p. 348.

employment were both below the levels of 1923. He accused the Treasury Department, the Federal Reserve Board, and the administration itself of encouraging credit for stocks while no similar credit relief was being extended to legitimate business or agriculture. The focus of his anger was the reduction of the rediscount rate to 2–2½ per cent by the Reserve Board; the prevailing rate for the years 1919–1923 had been 5–5½ per cent. Shipstead quoted Dr. H. Parker Willis, a noted banking authority, as saying that the Federal Reserve, through its open market operations, was causing inflation. But "the greatest menace which I see in the present situation is the effect upon the 100 million minds which make this the world's greatest nation, when it at last dawns upon the common man . . . that our boasted national prosperity hangs, not upon the productive industry and wage earning toil, but upon the use of government financial functions in aiding the stock-market operations. A few weeks' stock speculation may cost the faith of the American people!" The Minnesota dentist called for remedial legislation to correct credit abuses and aid agriculture.[5]

The bubbling stock market was gradually making the Federal Reserve System and its allocation of credit a center of controversy. *LaFollette's Magazine* attacked the boom as artificial; it claimed that the Federal Reserve System was being made to bear the burden of speculation. The political periodical, published in Wisconsin, charged that the New York Federal Reserve Bank had kept its rate at 3 per cent, ½ per cent less than the other 11 Reserve Banks, deliberately for the purpose of increasing speculative credit.[6]

Thus the Midwest Progressives, always sensitive to the economic aspects of American life, were among the very first to publicize the danger to the economy that excessive stock speculation represented. Robert M. LaFollette, Jr., who had succeeded his father in the Senate, on January 18, 1928, introduced the following resolution, which was referred to the Committee on Banking & Currency:[7]

> **Resolved, That it is the sense of the Senate that the Federal Reserve Board should immediately take steps to restrict the further expansion of loans by member banks for speculative purposes and as rapidly as is compatible with the financial stability of the Nation, require the contraction of such loans to the lowest possible amount and be it further,**

[5] *LaFollette's Magazine* (March, 1925), pp. 42–43. In 1930 Senator Shipstead blamed the easy credit policy of the Federal Reserve Board for the false prosperity of 1925–1929 and the crash. *The Progressive*, Dec. 20, 1930.

[6] *LaFollette's Magazine* (March, 1925), pp. 42–43.

[7] "Brokers' Loans," Hearings before the Committee on Banking & Currency, United States Senate, 70th Cong., 1st Sess. (Washington, 1928). At the suggestion of Senator Carter Glass, the committee later amended the resolution by removing the words following "speculative purposes" in paragraph one; evidently Glass and some other moderates did not favor limiting loans "to the lowest possible amount."

Resolved, that the Federal Reserve Board be directed to report to the Congress what legislation, if any, is required to prevent the future use of the funds and credit of the Federal Reserve System for speculative purposes.

Three weeks later a Senate subcommittee began hearings, and young Senator LaFollette appeared to elaborate upon his resolution. Self-assured and to the point, he argued that the use of the credit of the Federal Reserve System for speculative loans was a violation of the Federal Reserve Act. Section 13 of that Act, after defining the categories of paper subject to rediscount, concluded "but such definition should not include notes, drafts, or bills covering merely investments or issued or drawn for the purpose of carrying or trading in stocks, bonds, or other investment securities, except bonds and notes of . . . the United States." [8] In support of his case "Young Bob" also quoted Carter Glass and Robert L. Owen, the legislators who steered the Federal Reserve Act through Congress in 1913.[9] The chief purpose of his resolution, said the Wisconsin solon, was to call the attention of the Senate to the great increase in loans on stocks and bonds by members of the Reserve System. In 1921, $778 million was involved in loans of this type; in 1925, $2.1 billion; on February 1, 1928, the total had reached $3.8 billion! LaFollette acknowledged that the problem presented was complex but hoped that some legislative remedy could be found to return the Federal Reserve to the original goals.[10]

Brokers' loans constituted a new topic of discussion in the mid-1920's. Banks in New York City had for decades made loans to stockbrokers both on call and on time. The size of these loans in New York City had been computed for some years but in 1926 the Federal Reserve Board decided on a policy of publicity and began to publish brokers' loans totals in the *Federal Reserve Bulletin*. Although the totals published were for New York City only and included loans made to dealers to float new issues, they nevertheless gave the public a barometer to watch in regard to stock speculation because most of such activity was conducted through New York Stock Exchange members and credit was more often used for the purchase of securities by patrons of the "Big Board." [11] The publication of these totals, rising inexorably month by month to new highs, naturally created discontent and concern in the classes and sections of the nation that were not participating. With a heritage

[8] "Brokers' Loans," p. 3.
[9] *Ibid.*, pp. 2, 3.
[10] *Ibid.*
[11] Lewis H. Haney, Lyman S. Logan, and Henry S. Gavens, *Brokers' Loans; A Study in the Relation between Speculative Credits and the Stock Market, Business, and Banking* (New York, 1932), pp. 3–43.

of Populism and already aroused by the injustices of the commodity markets and rural credit facilities, senators from the western Midwest were the logical and inevitable spokesmen for the opposition to excessive stock speculation. After 1926 the rise in these loans was there for all to see.

The first witness called by the subcommittee on the LaFollette resolution was Dr. Henry Parker Willis, a former secretary of the Federal Reserve Board and then editor of the *New York Journal of Commerce*. Dr. Willis declared that banking rather than legislative reforms were needed, that negotiation with the more important banks in New York City would accomplish more than legislative interference with such things as interest rates. He regarded direct control of member institutions as neither legal nor desirable.[12]

Although Dr. Willis admitted that the cancer of brokers' loans was an increasing menace to the stability of the nation, he was sure that an injunction from Congress to the Reserve Board would be too vague to accomplish the desired end. He told the committee that mere passage of the LaFollette resolution might itself be enough of a warning to check this tendency.[13] Willis' attitude was typical of a large group of bankers and respectable citizens who, while admitting danger, wished to rely on negotiation, indirection, and the emergence of character in public officials.

Senator Smith Wildman Brookhart, a committee member, was impatient with Willis' point of view. At the outset of the hearing the Iowa insurgent had requested that the subcommittee also consider his banking bill to remedy the brokers' loan evil. "I am not a believer in the theory that we can control speculation by raising and lowering the rates in some board." [14] The remedy must be made through law; Congress should act. The law, rather than the Federal Reserve Board, was primarily at fault according to Brookhart.[15]

Senator Brookhart, a nominal Republican, had attached himself to the Progressive wing of that party, headed in Iowa by Senator Albert Baird Cummins. He followed his mentor in attacking corporations and railroads in particular; he served in Iowa Progressive councils in the 1912 Bull Moose campaign. When age sapped the Progressivism of Senator Cummins, Brookhart took up his cudgel against the railroads, and agricultural discontent of the postwar

[12] "Brokers' Loans," p. 19.
[13] *Ibid.*, pp. 23–24.
[14] *Ibid.*, p. 6. Cf. Richard N. Owens and Charles O. Hardy, *Interest Rates and Stock Speculation* (New York, 1926), preface. These two economists announced that they could find no evidence for the theory that stock prices are controlled by short-term and call loan rates.
[15] "Brokers' Loans," pp. 6–7.

period brought him political success. He won Senate seats in 1922, 1924, and 1926 although in the middle year he was counted out by a Senate campaign investigating committee that feared his radicalism.[16] He was temporarily read out of the Republican Party for supporting LaFollette in 1924.[17]

The Iowa solon – born in Missouri – seemed to be a blend of Southern moralistic nativism and solid Iowa equalitarianism. He campaigned hard for veterans, mothers, and "drys"; attacking middlemen, he advocated cooperatives based upon the Rochdale plan, and demanded government ownership of the railroads.[18]

Brookhart was convinced that the Federal Reserve Board was far from its original objectives. Speculation was five or six times as great as when the Reserve Act was passed in 1913; but more importantly, local banks were refusing to lend to the people of Iowa. The banks preferred to obtain a safe 1½ per cent by redepositing in New York City or lending on call there at 4–5 per cent. Yet before the inauguration of the Reserve System, said Brookhart, farm loans were considered the safest in the world![19]

The flow of funds from local banks in the hinterlands to the big banks and Stock Exchange in New York City aroused the concern of other agrarian senators. Earle B. Mayfield, a Democratic Progressive from Texas, and William B. Pine, an Oklahoma Republican, voiced their disapproval.[20]

Brookhart then presented his own solution to the problem. He estimated that 75 per cent of Iowa's money was invested in New York City; he was not subdued by the claim that the funds were safe there. He wanted to stop speculation and bring Iowa money back to Iowa where it could benefit his constituents. To achieve this he had designed a drastic measure. At that time the Reserve System required that 25 per cent of a member bank's reserves be deposited with the regional Federal Reserve Bank; the Iowa radical proposed that the remaining 75 per cent also be deposited thus so that the entire reserve could be controlled by the Reserve System. In this way Brookhart hoped to prevent excess funds from finding their way into the call markets of New York City. He also suggested that member banks be *directly* prohibited from making speculative loans.[21]

[16] The two-year term, 1923–1925, was to fill the vacancy caused when Senator William S. Kenyon accepted a judgeship.

[17] *Time Magazine* (Jan. 19, 1925).

[18] Reinhard H. Luthin, "Smith Wildman Brookhart of Iowa: Insurgent Agrarian Politician," *Agricultural History*, Vol. 25 (Oct., 1951), pp. 187–197.

[19] "Brokers' Loans" (Feb. 6, 1928), p. 6.

[20] *Ibid.*, pp. 8, 19.

[21] *Ibid.*, p. 64.

Senator Carter Glass of Virginia, banking expert of the Senate, at this point reminded Brookhart that the American system of government was traditionally dualistic, that member banks would not accept drastic invasions of their privileges; they would merely withdraw from the Federal Reserve System and join the various state banking systems. But Brookhart had a solution for that too. State banks that failed to conform to the regulations of the Reserve System would be denied the use of the mails. He introduced a bill to this effect.[22]

The question of the soundness of the rural banks that the insurgents wanted to protect was then raised. The controversy came to a head when Oliver W. M. Sprague, professor of banking at Harvard, testified. The professor denied that the money concentration in the East was depriving other areas of needed credit. Local bankers were lending in the New York money markets because they could not obtain enough loans in their own sections of the country. There were too many small, shaky banks; many of them had invested too heavily in local enterprises and discovered their mistake in the deflation of 1920, according to Dr. Sprague, and they were now diversifying their risks. He admitted that this development aided urban at the expense of rural elements, but the money concentration in New York actually represented an advance over earlier banking methods in that it provided a great impersonal reserve, free from local conditions and prejudices.[23]

Senator William B. Pine of Oklahoma disagreed vehemently with the economist. Pine, a Methodist banker and oil man, was taking a more insurgent position; it was more consonant with the temper of Oklahoma voters in 1928. The Sooner did not believe that the withdrawal of funds lessened the threat of bank failures.[24] Dr. Sprague, however, seemed oblivious to regional prejudices; he told Pine that he was less fearful of speculation in securities than in land. Overspeculation in securities was an evil that could quickly be corrected and the loss confined to a few individuals, whereas inflated land values could cause a collapse in industry and consequent unemployment.[25]

[22] *Ibid.*, pp. 75, 83. Joseph Stagg Lawrence, *Wall Street and Washington* (Princeton, 1929), quoted Brookhart as saying "Unless something of this kind is done we are now headed for the greatest panic in the history of the world." Lawrence, a Princeton professor who had served as economic consultant to the New York Stock Exchange, ridiculed Brookhart, declaring that the proposals of Midwest radicals could not be taken seriously. See pp. 309–314.

[23] "Brokers' Loans," pp. 32–33. Experts had long claimed that there were too many small, inadequate banks. John M. Chapman and Ray B. Westerfield, *Branch Banking; Its Historical and Theoretical Position in America and Abroad* (New York, 1942), pp. 128–129.

[24] *Ibid.*, pp. 33–34.

[25] *Ibid.*

No statement could have antagonized the Progressives more. The view that security speculation should be permitted but land speculation suppressed seemed to suggest a double standard for rural and urban areas; the implication was that farmers could not safely participate in national prosperity or take a hand in the traditional American game of speculation. Brookhart produced figures to show that the great deflation of 1920–1921 was erroneously attributed to land speculation by the farmers. In reality, said the Iowan, the events of 1920 were, as always, caused by bankers and speculators in the cities and not by the industrious husbandmen. For example, in Iowa in 1920 the index of land value was 213 when the general price index was 241. The inflation in land had not kept pace with other price rises during World War I.[26]

But Dr. Sprague continued to turn the knife in the wound. He observed that since the demand for food was more inelastic than the demand for industrial products, the farmer was doomed to vicissitudes independent of the general trend.[27] Economic distress in the Midwest was caused by too many small banks and not by the flow of funds to New York City. Call loans, the kind made to New York stockbrokers, were the safest possible commercial loans. They might be called any time after noon on the date of issue, and losses on them were negligible, Sprague testified. (The current size of brokers' loan totals had no important bearing on the national economy!)[28]

Senator Brookhart thereupon shifted from economic to moral grounds. Speculation was immoral and illegal, he said. Depositors' money should not be used as the "kitty" in what was essentially a gambling game. The senator wanted to believe, however, that there was a direct relation between stock speculation in New York and the depression in Midwest agriculture. He insisted a reduction in brokers' loans would ease the burden of the farmer, but Dr. Sprague continued to deny this contention.[29]

Several weeks after these acrimonious hearings, the Senate subcommittee brought forth a favorable report on the LaFollette resolution.[30] Chairman Peter Norbeck of South Dakota, a well

[26] *Ibid.*, p. 35. 1913 = 100.
[27] *Ibid.*
[28] *Ibid.*, pp. 45, 39, 62.
[29] *Ibid.*, p. 54. Dr. Sprague did acknowledge that current stock prices were too high for prospective earnings.
[30] The Senate Banking & Currency Committee voted 7 to 5 in favor of the resolution. For: Brookhart (R–Iowa), Fletcher (D–Fla.), Frazier (R–N.D.), Glass (D–Va.), Mayfield (D–Tex.), Norbeck (R–S.D.), and Steiwer (R–Ore.). Against: Barkley (D–Ky.), Edge (R–N.J.), Phipps (R–Colo.), Sackett (D–Ky.), and Wagner (D–N.Y.). In view of their later support of New Deal reforms, it is interesting to note the nay votes of Senators

driller and Republican Progressive, said in an accompanying statement: [31]

> the history of booms is that the higher they go the more suddenly they break. It is no defense for the "Street" to say that the risks are widespread. That is only another way of saying that the losses will not fall so heavily on the centres, but will be borne by the whole country. This is not surprising. The speculative buyers are not the experienced class; they are the lambs. The higher the market goes, the more widespread the condition. We can find small consolation in the fact that the losses will be borne by those least able to bear it, scattered over every state in the Union.

The committee report also quoted with approval the observations of Carter Glass made in 1913: [32]

> Under existing law we have permitted banks to pyramid credit upon credit and to call these credits reserves. It is a misnomer; they are not reserves. And when financial troubles come and the country banks call for their money with which to pay their creditors, they find it all invested in stock gambling operations. There is suspension of payment, and the whole system breaks down under the strain, causing widespread confusion and almost inconceivable damage.

Glass' words of 1913 were reproduced to demonstrate that the supporters of the Reserve Act intended it to rectify the speculative credit situation.

But the LaFollette resolution, although reported favorably, remained on the Senate calendar throughout 1928. Senator LaFollette later blamed "the friends of speculation" for preventing its adoption.[33] The *Wall Street Journal* noted that a politician with a good motive can do as much harm as one with a bad motive if he is ignorant enough. The Senate committee obviously had not thought the matter through. The agitation against "Wall Street" was really "sour grapes," the financial paper said. Speculation could be dangerous of course, but stock market activity was the least hazardous kind; it acted as a safety valve. In contrast to farmers' loans, brokers' loans could be liquidated instantly; 1919 proved that. "Congress may rest easy if it is worried only by stock speculation." [34] Even a year later *Barron's* declared that overspeculation tended to curb itself. The financial magazine chided "Young Bob," claiming that he wanted to reduce brokers' loans to the 1921 level, even though such a step would stop industrial expansion.[35] The

Alben Barkley and Robert Wagner. *Commercial & Financial Chronicle*, Vol. 126, Part 2 (April 30, 1928), p. 2,737.

[31] *New York Times*, May 13, 1928.

[32] *Commercial & Financial Chronicle*, Vol. 126, Part 2 (May 19, 1928), pp. 3,061–3,062.

[33] *Congressional Record*, Vol. 71, Part 1, 71st Cong., 1st Sess. (June 4, 1929), p. 2,324.

[34] *Wall Street Journal*, May 15, 1928.

[35] *Barron's*, March 5, 1929, p. 12; April 30, 1929, p. 4.

New York Times, on the other hand, was not hostile but favorable; editorially it said of the resolution: "It only aims at preventing further aggravation of the present situation." [36]

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While LaFollette's resolution languished on the calendar, the Progressives made another foray against "Wall Street" speculation. Senator William H. McMaster, a Republican Progressive from South Dakota, acting on behalf of his colleague, Peter Norbeck, submitted an amendment to the pending tax bill; it called for a tax on call loans of 5 cents per $100 or fractional part thereof.[37]

Assuming the average life of a call loan to be 60 days, McMaster estimated that the levy would raise $12 million and could be used to offset the contemplated refunds to be made elsewhere in the tax bill. The humorless Yankton banker told the Senate that [38]

> There has been a wild orgy of speculation . . . in the last two or three years. Hundreds of millions of profit have been made and to anyone who is familiar with the . . . history of the stock exchange, while many millions are in the hands of lambs, it will be . . . only a short time when there is going to be a frightful shakedown in the stock market . . . and these profits again are going to revert to the rich and be safely stored in their strong boxes.

The McMaster amendment was immediately rejected by the Senate in a voice vote. But the Dakotan brought the matter up again two days later; he asked for a formal roll-call vote. It was defeated, 44 to 18. Only the staunchest antispeculator Progressives stood with McMaster for the call loan tax.[39]

The failure of the insurgents to muster more than 18 votes for the tax is perhaps attributable to the burden such a tax would place upon some small businesses that had become accustomed to using call loans to finance their operations. James Couzens, the Ford company millionaire from Michigan, was the only senator from an industrial state to vote for the tax. In view of the rapid rise of

[36] *New York Times*, May 13, 1928.

[37] *Congressional Record*, Vol. 69, Part 9, 70th Cong., 1st Sess., p. 9,203. This was the customary type of loan made to brokers who re-lent to clients who were buying stocks on margin.

[38] *Ibid.*, pp. 9,203–9,204.

[39] The faithful 18 were: Hugh L. Black (D–Ala.), John J. Blaine (R–Wis.), Smith W. Brookhart (R–Iowa), James Couzens (R–Mich.), Bronson M. Cutting (R–N.M.), Clarence C. Dill (D–Wash.), William J. Harris (D–Ga.), Richard B. Howell (R–Neb.), Hiram Johnson (R–Calif.), Robert M. LaFollette (R–Wis.), Earle B. Mayfield (D–Tex.), Matthew M. Neely (D–W.Va.), George W. Norris (R–Neb.), Gerald P. Nye (R–N.D.), Morris Sheppard (D–Tex.), Henrik Shipstead (F–I, Minn.), Elmer Thomas (D–Okla.), and McMaster. Norbeck was absent but of course favored the tax. Oddly enough, Walter Edge (R–N.J.), although he did not vote, was reported as favoring the call loan tax. *Congressional Record*, Vol. 69, Part 8 (May 10, 1928), p. 8,276.

brokers' loans in 1928, however, it would be hasty to say that this tax was too drastic.

In the same month, however, the antispeculators won, with powerful allies, a minor skirmish in the struggle with Wall Street. An amendment had been offered to the tax bill to reduce the stock transfer tax from 2 cents per $100 to 1 cent. This 50 per cent reduction had already been approved by the House as part of the over-all plan to cut "nuisance" taxes.[40]

The Democratic regulars were interested in reducing federal taxes, especially during this lush period of Republicanism. Using the traditional arguments of Jeffersonianism, they charged that President Coolidge and Secretary Mellon were retaining unnecessarily high wartime tax rates in order to lavish government largesse on the industrial enterprises of the North; like the tariff, most Republican taxes were unfair to the South.[41]

The spokesman for these Democrats, Furnifold Simmons of North Carolina, took the lead in advocating the reduction to 1 cent. The levy was a burden to business, especially to those progressive companies that were engaging in employee and customer stock ownership plans, as well as to cooperatives of all kinds. The revenue to the Treasury was inconsequential anyway, said Simmons.

In reply Reed Smoot of Utah, charged with steering the tax bill through the Senate, told his colleagues that this tax was unobtrusive and brought in $8.8 million to the government. He implied that the tax bill had been carefully considered by committee experts and that changes like the one proposed might well prevent reductions in other provisions, such as income and corporation levies. The corporations, he said, favored keeping the 2 cent rate for it served as a deterrent to speculation in securities.[42]

Simmons challenged Smoot on this. The tax did not hit speculators, said the Carolinian, because market operators traded in a floating supply of stocks held in the names of brokers and not transferred upon each sale through the corporation registrar. The tax applied only to stock in cases where ownership was transferred on the company books.[43]

Smoot contested Simmons' interpretation. When Thaddeus Caraway of Arkansas, long-time foe of cotton speculators, asked the Mormon solon if the transfer tax hampered gambling, Smoot answered yes. Caraway said he would support the 2 cent rate in

[40] *Ibid.*
[41] *Ibid.*
[42] *Ibid.*, pp. 8,277–8,278.
[43] *Ibid.*

that case. Aware that the corporations also favored the tax, he predicted that the vote about to be taken would reveal how much more influential the corporations were than the farmers. Earlier that day Caraway's amendment to ban cotton futures trading by taxation had been beaten, 47 to 24, when the independent farmers had stood alone. Now, said Caraway, the business interests want to keep the 2 cent rate on transfers whereas the "gamblers" prefer the reduction. Could a coalition of farmers and industrialists overcome the speculative interests in the United States Senate? he asked.[44]

When the clerk called the roll, there were 48 yeas and 30 nays; thus the transfer tax was retained at the 2 cent rate. The corporation-Western farmer alliance had triumphed over those who would have reduced the tax on speculation. This was one of the two instances after 1925 in which antispeculators won a vote.[45] They succeeded on this occasion because some 20 senators from the East and Midwest, who represented chiefly corporate interests, chose to continue this transfer tax rate in preference to other more onerous taxes, and voted with the insurgents. Evidently the antispeculators could win a vote in Congress only when their interests coincided with those of corporate business to form a coalition against speculative interests that were strong in the East and parts of the South. The real defenders of speculation in this vote proved to be the Simmons group of Southerners, the Bourbon planter advocates of states' rights and lower federal taxes.[46]

But the policies of the Federal Reserve Board, investigated by the banking subcommittee early in the year, continued to be the point of controversy as 1928 unfolded and speculative credit kept

[44] *Ibid.*

[45] The other victory was the voice vote passage of the Heflin resolution in 1929; see p. 152. Like all votes on speculative matters since 1892, the vote to retain the transfer tax at 2 cents had a definite sectional pattern. Here is the vote by section:

	To Retain (Yea)	To Reduce (Nay)	Not Voting
New England	7	3	2
Middle Atlantic	3	4	3
South	6	13	5
Central & Eastern Midwest	8	5	3
Antispeculator Tier	10	1	1
Far West	14	4	4
	48	30	18

Note the difference between New England and the Middle Atlantic states; the former is pro-corporation, the latter is narrowly pro-speculation. The Antispeculator Tier includes: North and South Dakota, Nebraska, Kansas, Oklahoma, and Texas. This Great Plains region was the locus of Populist sentiment in the 1890's and has continued to be the citadel of pre-industrial, nativistic equalitarianism. Great Plains senators from both political parties have been the most consistent critics of speculation, middleman profits, and financial oligarchy. From 1892 until the New Deal, legislators from this area were virtually unanimous in this attitude.

[46] *Congressional Record*, Vol. 69, Part 8 (May 10, 1928), p. 8,276.

climbing. During the 1920's Democrats publicized the Federal Reserve Act as the major achievement of the Wilson administration; their partisan defense of it had been intensified by the violent criticism of the Reserve Board during the 1920 farm deflation.[47] It was inevitable that the 1928 Democratic convention would refer in some way to the Reserve System and its relation to speculative credit. The party of Jefferson and Jackson, like the rest of the country that year, was focusing primarily upon domestic business rather than international affairs or social welfare. John J. Raskob, the Democratic manager, was accused of trying to make Al Smith more politically attractive to businessmen than Herbert Hoover.[48]

Senator Carter Glass of Virginia, the frail Lynchburg editor who liked to be remembered as the "father" of the Reserve Act, was the natural choice to labor over the Democrats' Federal Reserve plank at the convention in Houston. A true Virginia piedmont product, Glass combined a fierce Scotch-Irish Calvinist temperament with a gracious Episcopalian constitutionalism in his thinking. The result was a socially conservative critic of speculation, one who was contemptuous of the Western "Jackasses" and cautious in supporting remedies that might infringe upon states' rights. But he was outspoken, and finally drew up a plank that called for changes, that justified the criticism he had been directing toward the Board and the Coolidge administration.[49]

The Republican Progressives also had strong opinions on the Federal Reserve question. Senator LaFollette, their leader, submitted a plank to the Republican convention that demanded that the Reserve Board check the flow of credit into the stock market. This proposal was part of the Progressive Republican platform that he put before the main body of the G.O.P. The convention rejected the Progressive platform, however, and no mention of the Reserve Board was made in the platform finally adopted by the Republicans.[50]

The phraseology of the two Federal Reserve planks – the one by Glass for the Democrats, the other by LaFollette for the Republican Progressives – points up the differences that divided cautious, respectable reformers of the South and East from the more radical in-

[47] *Democratic Campaign Book* (1924), pp. 20–24.

[48] Frederick Lewis Allen, *Only Yesterday* (New York, 1931), pp. 302–303.

[49] "Has the Federal Reserve System Promoted Speculation?" *Review of Reviews*, Vol. 78 (Sept. 28, 1928), pp. 256–260.

[50] The G.O.P. had rejected LaFollette Progressive platforms at every convention since 1908. Nye, *Midwestern Progressive Politics*, p. 337.

surgents of the dirt farmer South and rural Midwest. The respective planks were as follows:

Democratic[51]

The Federal Reserve system, created and inaugurated under Democratic auspices, is the greatest legislative contribution to constructive business ever adopted. The administration of the system for the advantage of stock market speculators should cease. It must be administered for the benefit of farmers, wage-earners, merchants, manufacturers, and others engaged in constructive business.

Progressive Republican[52]

We denounce the conversion of the Federal Reserve System into an instrument by which the nation's credit is used for the advantage of stock speculators. We favor such amendment of the Federal Reserve Act as may be necessary to ensure that the credit facilities of the system shall be used for the benefit of American farmers, merchants, manufacturers, homebuilders, and other constructive purposes.

While the planks are similar, it is apparent that the Progressives, having less of a vested interest in the Reserve System, were more concerned with making it an instrument for economic reform, while Democratic wording stressed the role of that party in its conception, and the Democrats did not mention anything as definite as an amendment. Indeed, one magazine suggested that the plank at the Houston convention was a concession to Senator Glass, an elder statesman, and probably did not have the support of the Democratic Party as a whole.[53] Glass wanted to dramatize his part in passing the 1913 Act whereas run-of-the-mill Democrats had no such interest. LaFollette, on the other hand, could count on the enthusiastic support of almost two dozen of his colleagues.

As 1929 opened, the Reserve Board was still timid, was still dilatory in taking action against the speculation that was threatening the national socio-economic structure. The Board had not been allowed to forget the charge that it was responsible for the 1920 deflation, and feared the same criticism again – from brokers instead of farmers – if it attempted any drastic curtailment of credit. Financial circles were uncertain as to the course the Board would take. Finally the Board acted; it not only raised the rediscount rate, but it sent a strong letter to each of the 12 district banks. The letter announced a policy of "direct pressure" on individual member banks to reduce their stock market loans. While admitting that the Board was not the arbiter of security speculation or stock

[51] *Proceedings Democratic National Convention* (Houston, 1928), p. 187.
[52] *New York Times*, Jan. 24, 1928, p. 3.
[53] While the remarks of respectable conservative reformers like Senators Carter Glass and Daniel U. Fletcher of Florida, and Dr. H. Parker Willis often infuriated the "Sons of the Wild Jackass," the insurgents could usually count on picking up two or three votes in the Senate for their less extreme measures from these moderate critics of speculation.

values, the letter carefully defined the Board's responsibility in keeping Federal Reserve credit away from speculative channels.[54] The gravity of the situation had overcome any Jeffersonian fears about the threat to decentralization posed by the "direct pressure" approach.

The Federal Reserve warning was well received, except among some brokerage houses in Wall Street.[55] The *Duluth Labor World* saw the Reserve Board letter as a confirmation of the analysis Senator LaFollette had made at the time of his resolution in 1928. Because of the large portion of money being lent to brokers by "others" – private individuals and corporations – in 1929, the Duluth paper believed that the stock market had finally gone beyond the control of Federal Reserve authorities. Its remedy was extreme: a complete ban on margin purchases.[56]

The belated action of the Board also had its repercussion in the Senate. J. Thomas Heflin, the sentimental Klansman with the Prince Albert coat, introduced a resolution that required specific recommendations from the Federal Reserve Board to curb speculation. The Alabaman's resolution was similar to the one LaFollette had introduced the year before. Elmer Thomas of Oklahoma arose to remark that Heflin's measure was too weak; he wanted immediate action by Congress. Carter Glass at this point reminded the Senate that the Reserve Board was not charged by law with regulating stock exchange activity; its only jurisdiction was over Federal Reserve credit.[57] On February 11, the Senate passed by voice vote the Heflin resolution slightly amended: [58]

> **Whereas in press dispatches recently, the Federal Reserve Board has complained that money is being drawn from the channels of business and used for speculative purposes, and that some of said speculation is illegitimate and harmful; therefore be it**
> **Resolved, that the Federal Reserve Board is hereby requested to give to the Senate any information and suggestions that it feels would be helpful in securing legislation necessary to correct the evil complained of and prevent illegitimate and harmful speculation.**

During the debate on the resolution, Senator Heflin shouted that "Wall Street had become the most notorious gambling centre in

[54] *Wall Street Journal*, Feb. 7, 1929.
[55] According to *The Literary Digest*, the majority of American newspapers supported editorially the Board's action. For a list of papers endorsing the action see "Can the Federal Reserve Board Check Speculation?" *Literary Digest*, Vol. 100 (Feb. 23, 1929), pp. 78–82.
[56] *Duluth Labor World*, Feb. 23, 1929, Vol. 2, p. 6; March 9, Vol. 4, p. 1; March 16, Vol. 4, p. 2.
[57] *Congressional Record*, Vol. 70, Part 3, 70th Cong., 2nd Sess. (Feb. 11, 1929), pp. 3,203–3,207.
[58] *Ibid.*, p. 3,203.

the universe" and "is a hot-bed and breeding place of the worst form of gambling that ever cursed the country." "Whereas," he continued, "the Louisiana lottery slew its hundreds, the New York State gambling exchanges slay their hundreds of thousands."[59]

Five days later Representative Hampton Pitts Fulmer of South Carolina – later to become chairman of the House Agriculture Committee – gave full voice to the position typically taken by the Southern Democratic Progressives.[60] Congress, said Fulmer, should move slowly in permitting boards and bureaus to interfere with private business. But powerful groups were threatening small enterprise and disregarding the laws of God, land, and ethics. He condemned the duplicity of brokers who were sucking the citizenry into the market. He cited in Populistic fashion the increase in millionaires from 7,000 in 1914 to 40,000 in 1928. The nub of Fulmer's address was:[61]

> It is my prediction that unless Congress does something to regulate these speculators and gamblers, or some genius who has the welfare of legitimate business and the country at heart can bring about a readjustment in the use of credit which will turn some portion of it to channels where it is most needed, we are headed for one of the most serious economic crises in the history of the great Republic.

The Progressives by and large approved the "direct pressure" tactics of the Reserve Board in 1929; they lamented the fact that the Board had not acted earlier, before credit had reached such dangerous levels. They could not see why the Board could not stop stock speculators, because it had been so effective in deflating farm land inflation in 1920.[62]

The strong stand of the Board did check the expansion of brokers' loans in the spring of 1929. But public enthusiasm was then too powerful, and gradually the markets built up immunity to the words of the Board. When the summer began, the old craze returned despite the warnings of government authorities.[63]

At this point Senator William E. Borah of Idaho came upon the scene. A strong individualist who usually found himself in the Progressive camp, Borah had not taken an active part in the Reserve Board controversy; he had been preoccupied with international

[59] *Commercial & Financial Chronicle*, Vol. 128, Part 1 (Feb. 16, 1929), p. 993.
[60] Fulmer's colleagues did not have a high opinion of his abilities. His appointment as chairman was regarded as a triumph of the seniority system. Wesley McCune, *The Farm Bloc* (Garden City, 1943) pp. 49–50.
[61] *Congressional Record*, Vol. 70, Part 3, 70th Cong., 2nd Sess. (Feb. 16, 1929), pp. 3,699–3,700.
[62] *Ibid.* (Feb. 11, 1929), pp. 3,205–3,207.
[63] Aaron M. Sakolski, "American Speculative Manias," *Current History*, Vol. 30 (Aug., 1929), pp. 860–868.

affairs. In the June *World's Work*, however, the senator offered a familiar solution for curbing the speculators. He proposed that the American exchanges adopt the English system of settling loans fortnightly. If loans could be made to brokers only on a two-week basis instead of on call, Borah believed that many sources loaning money to Wall Street would dry up. Bankers would not want to commit themselves to 14-day or 15-day loans in place of the immediately callable obligations. The daily settlement method in use in the United States was inferior, said the Idaho solon, because it facilitated stampedes. The two-week plan would level out many of the call rate flurries characteristic of turbulent markets and by reducing liquidity, diminish credit available to speculators.[64]

Senator Borah warned the exchanges to act before state legislatures or Congress acted; if the "Street" really feared the crudities and impetuosity of legislators, the wise course was to clean house itself. "Shall the call-money market on the daily settlement plan go on until a great world-wide smash comes, or will constructive efforts be made at the source to alleviate and cure the situation before it is too late?" [65] The Coolidge-Hoover bull market was, after all, no exception to traditional rules; there was bound to be a period of deflation following the current one of inflation.[66]

In the same month, during a debate on tax exemptions for government securities, several senators took the opportunity to appraise the stock market position. James Couzens of Michigan, perennial critic of Mellon tax policies, took fellow auto tycoon William Crapo Durant to task for making light of Federal Reserve Board warnings; Couzens claimed that Durant was not disinterested but had a definite interest in speculation. Couzens was also critical of the Reserve Board. The Board was "dumb" or it would have moved earlier against stock gamblers. It should have spoken frankly and openly in the beginning; there had been too much secrecy and rumor. The Federal Reserve System was organized as a protection for industry: [67]

> I contend that the object has been largely defeated by the failure of the system itself properly to recognize its responsibilities and duties. I contend that the present situation should never have been permitted to reach its

[64] William E. Borah, "Call Money and Stock Gambling," *World's Work*, Vol. 58 (June, 1929), pp. 33–34.

[65] *Ibid.*

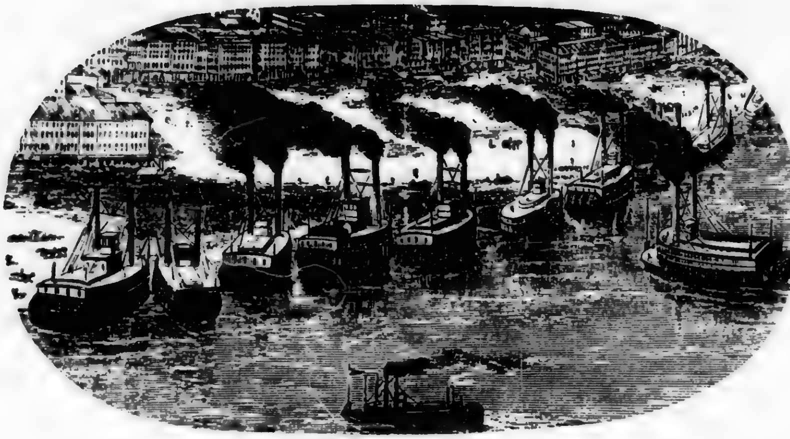
[66] Lawrence in *Wall Street and Washington*, pp. 295–296, bitterly assailed Borah's plan. The Princeton economics professor said that Borah had no right to ask banks of the nation to loan only for two-week periods, that the plan would not deter speculators. In addition, he accused Borah of harboring a prejudice against Wall Street that rested upon a "profound substrata of dour Calvinism."

[67] *Congressional Record*, Vol. 71, Part 3, 71st Cong., 1st Sess. (June, 1929), p. 2,325.

present proportions. I contend that it has cost industry, manufacturing, retail and other business, as well as farming, hundreds of millions of dollars that cannot possibly be justified under any conception of the organization of the Federal Reserve system.

The grisly reckoning that the Progressives had been forecasting came in October, 1929. Within a month $30 billion in stock values had been wiped out; gradually the nation was to learn that this augured the Great Depression.

Right up to the 1929 precipice Senate Progressives from the Midwest warned the public of the dangerous situation. Whereas their allies from the Southwest, the Neo-Populistic Democratic Progressives, were too afraid of bureaus, boards, and administrative law, and sometimes lost their way in demagogic moralizing, the Midwesterners exercised their bent for economic analysis and led the fight to apply governmental curbs to stock market credit. True, their legislative triumphs were few and minor: a favorable committee report on the LaFollette resolution in 1928; a voice vote victory for the similar Heflin resolution a year later; and a coalition triumph in retaining a small transfer tax. But their remedies of tighter credit control and greater taxation of speculative gain have since been adopted as sound. These solons publicized as best they could the economic inequities in the nation, specifically the farm recession, the draining off of funds to New York City, and the ominous rise in brokers' loans. Reiterating these facts in the national arena was their contribution. The record shows that the "Sons of the Wild Jackass" – LaFollette, Couzens, Shipstead, Borah, *et al.* were better oracles in the 1920's than the more prominent hucksters of false prosperity – Coolidge, Mellon, Raskob, and Durant.



Business Patterns in the Growth of a Midwestern City

The Kansas City Business Community Before the Civil War

The Western traders who made centers like Kansas City their base soon found that urban development offered greater, safer investment opportunities than did trade. Bonanza real estate earnings became a major source of capital for the further development of the West.

by Charles N. Glaab

ASSISTANT PROFESSOR OF HISTORY
AT KANSAS STATE UNIVERSITY

On May 29, 1858, Robert Thompson Van Horn, editor of the Kansas City *Western Journal of Commerce*, was moved to comment in his newspaper on a train of 53 wagons from Santa Fe that had entered the town the day before. Van Horn admitted that there was nothing uncommon about the sight; similar trains could be seen arriving or leaving almost every day during the trading season. But, in the editor's view, the sight was more remarkable than anything that might be seen in the East – in Boston, New York, or Philadelphia. "In any of these places," he remarked, "every

house top window and balcony would be crowded with people looking at this mountain caravan — the fleet of the prairie. It would be something new, something novel and romantic to the people who are daily accustomed to see in the streets . . . some new and grand humbug of the day." Even more significant, he said, would be the reaction of eastern businessmen, who could not help being impressed by the economic importance of the sight. For the train that he vividly described represented only one of many that arrived in the city every spring and summer as part of a vast and profitable "commerce of the prairies and mountains." [1]

Van Horn had come to Kansas City in 1855 at the invitation of a committee of local businessmen; they had been having trouble with the newspaper that they owned and were seeking a professional editor. Their decision to hire Van Horn was a wise one. For a generation thereafter he was an energetic and influential spokesman for the interests of local business leaders and successfully translated their attitudes into a kind of community ideology. In frequent articles on the subject, as in the example just given, he recognized that the basis of the town's pre-Civil War prosperity lay in trade with a vast Western empire including the far Southwest, the gold mines of Colorado, military forts, and scattered mountain fur-trading posts.

During the 1830's and 1840's, a complex of small trading towns — Independence, Parkville, Weston, Westport, and Kansas City — had sprung up along the Missouri-Kansas border to serve this kind of commerce. For the first fifteen years of its existence, Kansas City was little more than a collection of warehouses and general stores at the junction of the Kaw and Missouri rivers. The settlement functioned as an entrepôt of the river-caravan trade, a convenient location where goods could be easily transferred from steamboat to wagon for shipment to a distant hinterland. There is no evidence that the group of traders and merchants who platted the town site in 1839 foresaw that it would ever be much more than this.

By 1858, however, Kansas City had begun to eclipse these local rivals and until the Civil War was steadily to increase in population, wealth, and trade. The rapid settlement of Kansas Territory after 1854 had posed a new possibility — the development of a more general commercial center. The new territory provided a rich trade area that could furnish the base for the rise of a regional city, and,

[1] As originally planned, this article was to be co-authored by the late R. Richard Wohl of the University of Chicago, director of the History of Kansas City Project. Professor Wohl's original and provocative investigations in the fields of urban and business history are well known to scholars. The approach and framework of the article owe much to his suggestions in conversations shortly before his untimely death. It is also based in part on a paper delivered by the writer before the Mississippi Valley Historical Association in 1957.

in the light of this possibility, local businessmen accepted the challenge to modify their lines of activity. In spite of the large immediate profits that were made in the overland trade down to the Civil War, participation in it was not the real basis for permanent fortune in the city. The careers of early local business leaders and their families show that long-range business success was the result of willingness at an early date to respond to the challenge of accommodating individual business ambitions to the broader design of building a city: to shift from Western merchandising to other fields such as banking and real estate, which were directly related to urban economic functions, and to organize joint business efforts and community projects necessary to foster city growth.

Because of the unspecialized character of frontier enterprise, these adjustments in patterns of business activity in the transition from trading depot to city cannot be described with exactness. From the beginning, all business arrangements in the town were fluid and informal; no trader or merchant operated without a number of partners who came and went, moving from one firm to another. Nearly all mercantile houses combined to some degree the functions of the general store and the commission agent; not until shortly before the Civil War did any significant specialization take place. All local merchants invested in land; such investment in a frontier environment was almost a reflex action.

Nevertheless, it is possible to divide into two main groups the early local business leaders who were closely involved in the process of town building. First, there were traders and merchants who selected the town as a site for their operations in the western trade, sometimes moving well-established businesses from neighboring communities. Later many of them were drawn to other interests related to town growth and especially to the promotion of city additions. By the time of the Civil War many of the early commission men and merchants had sold their warehouses and stores to outside interests, notably St. Louis investors, in order to devote full effort to real estate development. Secondly, there was a diverse group of casual land buyers who had purchased tracts of land in the locale long before it became a townsite and accordingly had a direct stake in its growth.

The primarily mercantile group of Kansas City is well represented by William Miles Chick and his sons.[2] The Chicks played an influ-

[2] The material on the careers of the Kansas City businessmen examined here is based on a diverse collection of local records including tax and court records, biographical dictionaries, scrapbooks, and the file of biographical cards, which list data from widely scattered sources, collected by James Anderson and available at the Archives of the Native Sons of Kansas City

ential part in the business life of the city down to the twentieth century, and their careers illustrate patterns of enterprise in relation to the changing conditions resulting from city growth. The elder Chick, born near Lynchburg, Virginia, in 1794, came to Missouri in 1822 to be a farmer near Glasgow. Flooded out, he moved to Howard County in 1826 and ten years later came to Westport, then a town of about 50 families. Here he bought and operated an already established mercantile business. As one of a group increasingly aware of the possibilities of the rock landing at the future site of Kansas City (then four miles to the north of Westport), he joined the town company organized in 1838 to develop the location. By 1843 he had moved from Westport and was operating a warehouse on the river levee.

At this point fortune intervened. Two other warehouses had been built at the landing, but an 1844 flood left only his standing. The next year with the assistance of Robert Campbell, a prominent St. Louis trader, he persuaded the large Southwestern trading firm, Bent & St. Vrain, to deposit a cargo of goods at his warehouse for shipment to St. Louis. Twenty-five wagon-loads of buffalo robes were unloaded. The warehouse could not hold them all, and 5,000 pounds of hides had to be stacked on the levee itself. Retrospectively, this was a crucial step in the settlement's development, for, influenced by the Bent firm's example, Indian and Santa Fe traders in increasing numbers began to unload cargoes there during the late 1840's and early 1850's. Although the settlement did not grow appreciably, individual businessmen who made it their seat of operations prospered. Members of the town company made no sustained effort to promote the community's growth, concentrating their efforts instead on servicing Western traders.

The operations of Chick's older sons demonstrate that this type of mercantile business had only the loosest ties to a particular location. Their father, who during the 1840's had been the hamlet's first citizen, entertaining with easy Virginian hospitality such distinguished visitors as Fremont, Benton, and Parkman, died in 1847. Over the years the sons built the small business into the largest warehousing and commission firm in Kansas City, which by 1860 was shipping over 7,000,000 pounds of freight to the West yearly. William Sidney, the oldest, worked in the Westport store from 1836

(Missouri). For the Chicks, see especially the "Chick Scrapbook," Native Sons Archives; Washington H. Chick, "The Vicissitudes of Pioneer Life," *Annals of Kansas City*, a publication of the Missouri Valley Historical Society, pp. 207–218; Washington H. Chick, "A Journey to Missouri in 1822," *ibid.*, pp. 97–103; articles on Joseph S. Chick in Howard L. Conard (ed.), *Encyclopedia of Missouri History* (New York, 1901), Vol. I, pp. 580–581 and in *United States Biographical Dictionary*, Missouri volume (New York, 1878), p. 215.

to 1840, then managed a store of his father's at nearby Lone Jack, Missouri, for two years, and farmed for a time. He came to Kansas City to fill the position of postmaster left vacant by his father's death and until 1850 was in charge of the Chick warehouse. Until he retired in 1870 to raise cattle in Kansas, he ran a number of general stores in various parts of Missouri.

A second son, Washington Henry, began his career operating a Missouri River ferry boat at the Kansas City landing. Like many young men of the region, he went to California during the Gold Rush. He found no gold, but for a time earned $300 a day butchering and selling cattle to the Forty-Niners. He returned to Missouri in 1851 and with his older brother ran a trading post which dealt with the Seneca Indians in southwest Missouri. Then came a two-year term in a general store in Boone County in central Missouri. Returning to Kansas City in 1853, he devoted himself to expanding the operations of the family warehouse-commission business until it was destroyed by fire in 1866. The appearance of the railroads gave him his next business opportunity, and his action was in accordance with the frontier approach to merchandising: concentration on trade with a distant hinterland. As the Kansas Pacific and Santa Fe railroads were being constructed across the plains, W. H. Chick and a group of trading partners followed them and operated stores at the successive termini from which goods were forwarded to Santa Fe.

Unlike his brothers who remained primarily Western traders, the most successful of the Chick sons, Joseph Smith, became an active town promoter and has a claim to be considered as one of the more important city founders. In shifting from merchandising to banking, he successfully adapted himself to the changing role of the town as it was transformed from caravan stop to commercial center serving a contiguous trade area. After the Civil War, he quickly built a fortune generally estimated at over $1 million.

With only a rudimentary education, Joseph S. Chick began his business career at the age of eighteen as a clerk for the mercantile firm of Northrup & Co. This business, perhaps the major regional Western trading house during the late 1840's and early 1850's, was more a joint traders' association than a formally organized company. It is virtually impossible to name all the merchants who, at one time or another, were associated with it for particular and limited purposes. The company began as an Indian trading house which dealt with the Potawattomi near Topeka, the Sac and Fox near Emporia, and the Cherokee, Osage, and Kaw near Council Grove. Later

Northrup converted his business into a wholesale house furnishing goods to local Indian traders. An early advertisement of the company illustrates the type of business conducted: "Greylist and Scarlet Cloths, Broad Cloths, Satinette, Oil and Fancy Cotton Shawls, all colors; silk and Crape do., Turkey silk and crape do., silk and cotton hdkfs., Turkey Reds, Blue and White Beads, all colors, Mirrors, Blankets – Scarlet, Blue, Black and White; Ribbons, all colors, Brass wire, Butcher knives, gun flints, caps, powders, lead & c for sale to Traders who buy to sell again." [3]

Joseph Chick, an industrious apprentice, was made a partner of the firm in 1852. Under his direction the enterprise was turned into a wholesale grocery business, styling itself Joseph Chick & Co., although Northrup retained a share in the firm. Because groceries were essential in the Santa Fe trade, this action put the business into an extremely important line in ante-bellum Kansas City. By 1860 the company was selling more than a half-million pounds of groceries yearly to Santa Fe traders.

The Santa Fe trade, the biggest business in pre-Civil War Kansas City and the foundation of the Chick enterprises, had broadened considerably during the 1850's.[4] By this time, it should have been called the "Southwest trade," although it still retained its traditional title. Before the Mexican War, it had been a foreign trade conducted by American proprietors who often made small fortunes from one or two trips across the plains. After the acquisition of New Mexico, a steady flow of Americans to the Southwest and the Americanization of Mexicans there created a demand for diversified goods in the region. Yearly volumes in the trade increased enormously. Hardware, groceries, ammunition, manufactured goods, and whiskey, instead of dry goods as earlier, formed the bulk of the outgoing freight. By 1857 the demand for mining machinery and the introduction of wool as a return product expanded the trade even more. Since the supply of specie available for the payment of goods was almost exhausted in New Mexico, wool made it possible for the exchange to continue. The conduct of the trade came increasingly into the hands of the merchants of Santa Fe and the surrounding region, most of whom were Mexicans, and Kansas City businessmen

[3] *Kansas Public Ledger*, July 4, 1851.

[4] The following material on Kansas City as a trading center is based primarily on the files of the *Western Journal of Commerce* and its predecessor, the *Enterprise*. See also two articles by Walker D. Wyman, "Kansas City, Mo., a Famous Freighting Capital," *Kansas Historical Quarterly*, Vol. VI (Feb., 1937), pp. 3–13 and "Freighting: A Big Business on the Santa Fe Trail," *ibid.*, Vol. I (Nov., 1931), pp. 17–27; Charles C. Spalding, *Annals of the City of Kansas* (Kansas City, 1858, reprinted in facsimile edition, Columbia, Missouri, 1950), especially pp. 30–37 and 70–81; and an article by Joseph S. Chick on Kansas City freighting in *Encyclopedia of Missouri History*, Vol. II, pp. 515–517.

provided shipping and storage facilities for their trains. Advertisements were published in Van Horn's *Journal* in both English and Spanish, and visitors to the town were struck by its cosmopolitan appearance during the trading season.

Late in April or early in May, after the grass upon the prairies had grown sufficiently to sustain stock, the long trains of huge prairie schooners, weighing about 4,000 pounds and capable of hauling up to 7,000 pounds of freight, began to enter the city. The season usually lasted into October. Some days as many as a hundred wagons arrived, literally covering the river levee. Many of the largest New Mexican merchants such as the firm of Webb and Kingsbury purchased their supplies directly in the East, shipped them by rail to Pittsburgh, and from there by steamboat to Kansas City. Some of their merchandise came by water all the way from the Eastern seaboard through New Orleans. At the Kansas City warehouses, the goods were transferred to the company's own wagons or to those of freighting contractors. As much as 2,000,000 pounds of merchandise were reported stored in the Chick warehouse at one time, and during the height of the season daily loadings of several hundred thousand pounds were common. In 1860 the local newspaper asserted that 15,000,000 pounds of westbound freight had been handled by Kansas City houses during the season, of which about half passed through W. H. Chick & Co.[5]

Smaller traders often bought most of their goods, especially groceries, in Kansas City, and it was in this line that J. S. Chick & Co. prospered. In the early 1850's, Kansas City merchants had bought their stocks in St. Louis, but by 1856 many of them purchased directly in the East and sold for cost plus 5 per cent as did St. Louis dealers. The freight rates upriver from St. Louis were offset by lower rents and lower insurance costs in Kansas City. Local merchants also adopted the practice of shipping their cargoes during slack seasons on the river when freight rates were substantially lower.

Even if they bought elsewhere, most Santa Fe merchants at least filled out their cargoes in Kansas City. In 1858 Van Horn reported the example of Cristobal Armijo of Albuquerque, who arrived in town with ten wagons and $10,000 in gold. He left his outfit in camp and went to St. Louis, where he spent $7,000 for merchandise consigned to W. H. Chick & Co. Upon his return he spent the remaining $3,000 in Kansas City to complete his load. Moreover, the

[5] *Western Journal of Commerce*, Nov. 12, 1860.

Encyclopedia of Missouri History, Vol. II, pp. 515–517.

supplies necessary for the caravan in transit were purchased locally. A complete outfit-listing for a train belonging to one Señor Degaldo was typical: four sacks of coffee, two caddies of tea, twenty-two pounds of star candles, eight sacks of refined sugar, ten boxes of soap, nine boxes of tobacco, two sacks of rice, five boxes of cigars, one can of lard, ten barrels of whiskey, and nine sacks of New Orleans sugar, purchased at a total cost of $641.96.[6]

With the opening of Kansas Territory, Kansas City grocers also developed a substantial local retail and wholesale trade, and there were other bases for their businesses as well. J. S. Chick & Co., for example, dealt in furs and peltries and with the discovery of gold in Colorado established a branch grocery store near the mines. But it was from the Southwestern trade that the firm, as well as the other major mercantile houses in Kansas City, made its major business profits.

Joseph Chick and his partner, Hiram M. Northrup, also organized the town's first bank. It was as a banker that Chick was to make large gains after the Civil War, when the building of railroads west of Missouri destroyed the basis for the various Chick family mercantile enterprises. Opened in 1849, the banking business of the two merchants was conducted on a small scale in rooms over their store, with the company's merchandise serving as a guarantee. It gradually expanded its operations, and, coinciding with a period of rapid growth in Kansas City, was organized as a separate business in 1857 under the name of Northrup & Chick. In 1864, as the city was devastated by the war, the two men sold the grocery store to Chick's brother, Washington Henry, and transferred their banking operations to New York City. The New York house specialized in the handling of western paper until it failed during the panic of 1873. Chick returned to Kansas City and in 1875 organized the Bank of Kansas City, which helped to finance livestock and meat-packing enterprises in the region. At the time of his death in 1908, he was generally reputed to be one of the wealthiest local residents.

Chick's partner, Northrup, also had a long career as a Western trader.[7] He was born in 1818 in Olean, New York, where his father was a general merchant and lumber dealer. At the age of fifteen, he taught school and two years later drifted to Cincinnati, where he worked in a shipyard for a time. He next went to Alabama where

[6] *Ibid.*, June 19, 1858.

[7] Biographical sketches of Northrup appear in *History of Jackson County* (Kansas City, 1881), p. 727; Theodore S. Case (ed.), *History of Kansas City, Missouri* (Syracuse, 1888), p. 450. For material on the Northrup and Chick enterprises, see the various Chick reminiscences.

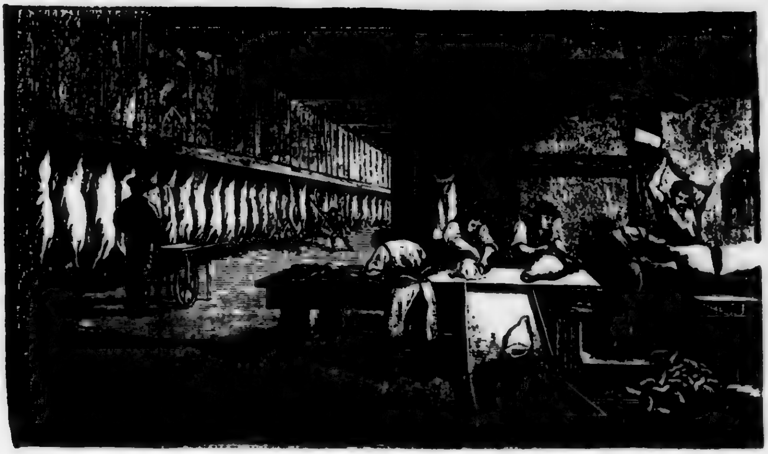
his father briefly operated a store. By 1844 Northrup was in Westport participating in the Indian trade. Unsuccessful at first, he managed to get $3,500 worth of goods on credit in St. Louis and had the good fortune to make an exceptionally profitable trading trip. With a number of partners to help him, he soon had a string of trading posts throughout the Southwest with an annual volume of business exceeding $300,000. His association with Chick has already been described. After the failure of their Wall Street house, Northrup returned to Wyandott (now part of Kansas City, Kansas) and re-entered the banking business. Since he had speculated extensively in Kansas land, his banking losses were buffered by his real estate investments.

Similar patterns can be observed in the careers of several other merchants who built local fortunes. Charles E. Kearney, who established the largest prewar wholesale grocery house in Kansas City, had run a Santa Fe outfitting business in Westport from 1852 and like Northrup soon had a chain of Southwestern stores under his control.[8] In 1856 he established his store in Kansas City, began investing heavily in real estate, and was instrumental in developing the bottom land near the town, which was to become Kansas City's first industrial site. During the Civil War, Kearney sold his grocery store and went to live in New York. He returned to Kansas City as soon as the war ended to take part in railroad promotions, real estate developments, and the grain trade. Joseph C. Ranson, who ran a major ante-bellum commission and grocery business, sold out in 1858 to devote full effort to the development of his city addition.[9] These represent only a few in this group of pioneer merchants who successfully anticipated city growth and invested in enterprises that were destined to be much more profitable than western merchandising.

A second group of early Kansas City leaders consisted of doctors, Indian missionaries, and small traders who bought tracts of land in the settlement's early years, before any influx of settlers had taken place, and sometimes made fantastic gains. Francis A. Rice, for example, a physician who also operated a small drugstore in the town in the late 1840's, bought a few acres of land on the outskirts. Sometime in the early 1850's, he returned to his native Kentucky.

[8] Biographical sketches of Kearney are contained in *United States Biographical Dictionary*, Missouri volume, p. 155, and in *Encyclopedia of Missouri History*, Vol. III, pp. 511–513. Among various clippings in relation to Kearney compiled in the scrapbooks of the Native Sons Archives, see particularly *Kansas City Journal*, Oct. 22, 1893, Kansas City Scrapbook No. 2.

[9] *History of Jackson County*, p. 840; Case, *History*, p. 453.



Although he never again resided in the town, he took part in local railroad promotions and developed his holdings into a profitable city addition. In 1859 he was the third largest taxpayer in the city. As an example of the quick profits to be made in this kind of activity, the *Journal* reported in 1858 that Rice had sold a downtown lot for $4,500 cash, a figure $400 more than he had paid for 200 acres opposite the city and for city property out of which he had made 259 lots.[10]

Much more important as a town builder was Johnston Lykins, whose career illustrates the "jack-of-all-trades" aspect of so much frontier enterprise.[11] Born in Virginia on April 19, 1800, Lykins had grown up in Indiana, where as a young man he had raised cattle and then taught school. In 1822 he was converted to the Baptist Church and decided on a career as an Indian missionary. He completed a medical education at Transylvania College, and in 1831, well before the founding of Kansas City, came to the border as director of Baptist missionary activities in the region.

At first this career wholly occupied him. He established several missions among the Shawnee Indians, supplied the tribes with a written alphabet so that they could read his translations of the Bible and other religious material, and even edited a newspaper in Indian

[10] No biographical sketch of Rice has been discovered. For scattered material, see Case, *History*, p. 69; *History of Jackson County*, p. 445; *Border Star* (Westport, Missouri), Oct. 8, 1859. The sale reference is to the *Western Journal of Commerce*, Oct. 31, 1858. Material on prewar land holdings in Kansas City is based on manuscript tax records in the private possession of Miss Frances Berenice Ford, Kansas City, Missouri, and were used with her permission.

[11] The best sketch of Lykins' life is contained in *United States Biographical Dictionary*, Missouri volume, pp. 48–49.

dialect. But Lykins gradually shifted his interest from philanthropic to business interests. He was soon involved in a conflict with G. W. and W. G. Ewing, leading Westport Indian traders, who regarded him as an "old rascal" and a "hypocrite" more interested in promoting the fortunes of himself and his son than the welfare of the Indians.[12] Lykins also purchased 16 acres of land from a French settler near the Kansas City River landing, which years later became Lykins' and Lykins' Place additions to Kansas City. Because of this holding, he was drawn into the business affairs of the young town, and became the first president of the Chamber of Commerce, president of the Mechanics' Bank, the city's second mayor, a regular member of the council, and the prewar leader of local railroad promoters. Lykins abandoned his missionary activity, but his intellectual equipment made him an able town propagandist and an admirable choice to head promotional enterprises. His writings on local railroads, which emphasized that Kansas City was destined to become the center of a vast western railroad network, provided the theoretical framework for the ante-bellum effort of local leaders to attract railroads that were being built into the region.[13]

Nathan Scarritt built one of the large, present-day Kansas City fortunes in much the same fashion as Lykins.[14] Born in 1821 in Edwardsville, Illinois, graduated from McKendree College in 1842, he moved to Fayette, Missouri, and was a co-founder of Central Missouri College. In 1847 he came to the Methodist's Shawnee Mission, near Kansas City, to teach classical studies, and engaged in missionary work there for eight years. As had Lykins, he purchased land near the river landing, which later became Ross and Scarritt's profitable uptown city addition. Scarritt, too, was drawn into active town building and became a forceful advocate of public schools and other civic improvements.

Like the Chicks, the McGees of Kansas City, one of the most prominent of the early land-buying families, demonstrate within one family the changing character of local enterprises and the adjustments in endeavor necessary to assure permanent success.[15] Unlike the Chicks, however, they were not primarily merchants and early

[12] G. W. Ewing to S. Dyer, Aug. 31, 1850; W. G. to G. W. Ewing, Dec. 15, 1850; W. G. and G. W. Ewing Papers, Indiana State Historical Society Library, Indianapolis.

[13] Lykins' articles on the potential Kansas City railroad system, first published in the *Enterprise*, were republished along with Van Horn's editorial comments as a pamphlet entitled *Railroads Chartered and Projected Centering at Kansas City, Mo., with Many Other Interesting Facts* (n.p., n.d.), available at the State Historical Society of Missouri (Columbia).

[14] The most complete sketch of Scarritt's life is contained in the *United States Biographical Dictionary*, Missouri volume, pp. 776–778.

[15] The McGee family has been examined in an article by R. Richard Wohl, "Three Generations of Business Enterprise in a Midwestern City: The McGees of Kansas City," *Journal of Economic History* (Dec., 1956), pp. 514–528.

shifted their emphasis to the development of real estate. James Hyatt McGee was one of the earliest settlers in the region having come to Missouri from the Kentucky frontier in 1827. A year later he began to make extensive land purchases around the confluence of the Missouri and Kansas rivers, the later site of Kansas City. He operated a grist mill near Westport, and soon established a profitable distillery as an adjunct to his mill.

His son, Allen B. H. McGee, enlarged the scope of the family enterprises, established a small sawmill, took part in the Indian trade, and entered the outfitting business to capitalize on the increasing number of immigrants to the Southwest and California. In 1850 he sold out these diverse enterprises and put his capital into an enlarged outfitting business. His firm became one of the largest in the field. His colorful and flamboyant brother Elijah Milton, on the other hand, concentrated his efforts in relation to the long-range growth of Kansas City. After fighting in the Seminole Wars and profitably taking part in the California Gold Rush, he came home, and in 1857 subdivided 240 acres well to the south of the town which he called McGee's Addition. The project was particularly well conceived, ably advertised and promoted. McGee became one of the most active and vigorous leaders in the town's development, and a major spokesman of the city in the postwar years.

A number of other pioneer land buyers built substantial fortunes in Kansas City from fortunate early purchases of key holdings. William Gilliss, an early trader in the region, was born in Maryland, ran away to sea at the age of fourteen, and served in General Harrison's Indian campaigns. He made money in Cincinnati building houses on land owned by Harrison and later entered the Indian trade. In the 1820's he moved to Missouri, married a Delaware Indian, and lived several years with her tribe. In 1831 he left the tribe, bought some land south of the Missouri River close to the Kansas line, and set up a trading post. He was a member of the Kansas City town company, owning 3/14 of the original plat, and purchased other holdings in Jackson County totaling at least 1,000 acres. In the prewar land boom, he made substantial gains. Eighty acres which he had bought for $400 sold for $5,000 in 1858. Another 80 acres bought in 1836 at a nominal figure sold for $10,000 at about the same time. His property holdings evaluated for purposes of taxation totaled $89,150 in 1859, the second highest assessment in the city. A rough, nearly illiterate frontiersman, Gilliss had little

time for any of the joint enterprises of the local business community and accordingly was criticized by his compatriots. But at his death in 1869, the appreciation of his holdings had already left him an estate of $600,000, and he was generally considered the city's wealthiest resident.[16]

Isaac Ridge, a physician from Kentucky allegedly came to Kansas City in 1848 with $25 in his pockets. With returns from his extensive practice among the Indians, "Little Thunder," to use the name affectionately given him by the Wyandottes, invested in an 80-acre tract just south of the town which later became the basis for his million-dollar fortune. Joseph Guinotte, a French engineer who came to the town in 1848 as an agent for a group of Belgian colonists, later established a profitable city addition and was an active town promoter. Others high on the pre-Civil War tax rolls of the city include Edward T. Perry, an Indian missionary, traveling preacher, and farmer; William Mulkey, an Indian trader and boat operator, who established a minor reputation as a horse breeder and racer; and Lot Coffman, a pioneering schoolteacher, surveyor, lawyer, and judge. Not all the early purchasers of land around Kansas City profited. Many holdings optimistically platted into city additions during the boom years of 1857 and 1858 were abandoned during the city's dark wartime days and sold for nonpayment of taxes. But a surprisingly large number of the early town builders did demonstrate optimism or foresight enough to envisage the eventual growth of the city, and after the war quickly built substantial fortunes in the wake of its phenomenally rapid development as a railroad, livestock, and meat-packing center.

The pioneer land speculators bought land almost casually at low prices before settlement had taken place in the region. Not much property was required to build even a fairly large fortune; Lykins, for example, did it with 16 well-located acres. This type of investment was common in all frontier areas, and this group represented those fortunate enough to buy in the right place.

There was, however, another group among the landed in the Kansas City business community who were more deliberately speculative. They came West with money after the Kansas-Nebraska Act, looking for ripe investment opportunities which they found in

[16] In spite of Gilliss' prominence, no formal biographical sketch is available, but the reminiscent material is extensive. See especially "The Scrapbook of John Calvin McCoy," a collection of McCoy's published newspaper writings, which is one of the better sources for the early years of Kansas City history and is available in indexed form at the Kansas City Public Library. The Richard Graham Papers, Missouri Historical Society (St. Louis), contain considerable manuscript material on Gilliss' operations as an Indian trader.

the young town. These late arrivals were vigorous and systematic town boomers who brought to the development of their holdings astute promotional techniques. They accompanied a new stage in the city's development, for they reinforced the conviction developing among the early leaders that success lay in tying individual business ambitions to the broader ambition of building a city and provided much of the means for achieving this goal.

The most successful and perhaps the most interesting of these late comers was Kersey L. Coates.[17] Born in Lancaster on September 15, 1823, Coates was the scion of an influential family of Pennsylvania Quakers, and through his family ties he was able to become a kind of ambassador of the Kansas City business community to Eastern financial and political circles. A lawyer, a close associate of Thaddeus Stevens, and an outspoken antislavery man, Coates came West in 1855 as the agent of a group of Philadelphia capitalists to make investments on their behalf and to promote the influx of free-state settlers into Kansas Territory.

After looking over several sites in Kansas, Coates decided to purchase a tract of land in Missouri on the outskirts of Kansas City. Because of the disturbances along the Missouri-Kansas border, his syndicate became concerned for the security of its investment and ordered him to sell the property. Instead, using loans from friends in the East, he purchased it for himself and the holding became the basis for his postwar fortune. Coates became a familiar Washington figure as a lobbyist for local interests, and during the years after the war was perhaps the city's most influential promoter of railroads.

John W. Reid was at the opposite pole politically from Coates. An ardent supporter of slavery, he was at home in the town largely led by men of Southern origins and sympathies. But the free-stater Coates was equally accepted as a local leader. The consensus imposed by the local business community – and frequently argued by Van Horn in his *Journal* – stipulated that animosities arising out of the slavery controversy were not to interfere with business or the orderly process of building a city. Accordingly, investors and settlers of whatever political persuasion found eager welcome in the ambitious town.

A Virginian by birth, Reid had grown up in Indiana, and before the Mexican War practiced law in Saline County, Missouri. After

[17] *Encyclopedia of Missouri History*, Vol. II, pp. 36–38, and *United States Biographical Dictionary*, Missouri volume, pp. 46–48 contain sketches of Coates' life. See also Laura Coates Reed (ed.), *In Memoriam, Sarah Walter Chandler Coates* (Kansas City, n. d.). Copies of this rare, privately printed book are available at Kansas City Public Library and Native Sons Archives.

serving in Doniphan's Expedition during the Mexican War, he settled to farm on a section of land in Jackson County. During the Border Troubles of 1856, he led a Border Ruffian band raiding neighboring Kansas. The same year he purchased land in Kansas City, which later became Reid's Addition, joined the Chamber of Commerce, and as a representative in the state legislature became a leader in the town's attempt to obtain railroads. After service with Southern forces during the Civil War and subsequent imprisonment, he returned to Kansas City to become a chief negotiator of the local business community with Eastern railroad builders and investors.[18]

His addition proved particularly profitable. Twenty-five-foot lots there sold for from $50 to $100 each right after the Civil War. By the 1880's these same lots had reached a minimum value of $250 a front foot. Key holdings brought $600 to $700 a front foot.[19] At his death in 1881, well before the height of the postwar land boom, he had already accumulated an estate of $500,000.[20]

Thomas Swope, whose highly successful career as a land developer was to extend well into the post-Civil War period, was born in Kentucky, graduated from Yale, and read for the law in Alabama.[21] Not quite thirty but with considerable means at his disposal, he came to the region to buy land in 1856. Finding property too high at Leavenworth, his first choice, he purchased 30 acres of the Thomas Smart tract in Kansas City for $7,500 and added other holdings to it. Swope was a member of the Wyandott, Kansas, town company, was active in the local Chamber of Commerce, and a leader in various railroad promotions. In a letter to a friend, he provided some impressions of the ante-bellum land boom which reflect the temper of business activity in the city: [22]

> Property has advanced very much here since last winter when I was here and bought some lots and a few acres of ground within the city limits. I am offered $300 per lot, for ground which I purchased a year ago for $300 an acre. I ask for it $500 per lot and can get it soon no doubt, if I choose to take it.
>
> I purchased on my arrival here three weeks ago thirty acres of land ad-

[18] *Encyclopedia of Missouri History*, Vol. V, pp. 327–328; *History of Jackson County*, pp. 830–831. A small collection of Reid manuscripts, including a detailed, unpublished biographical sketch prepared by his son, William M. Reid, is in the posssession of Mrs. Frederick James, Kansas City, Missouri.

[19] Case, *History*, p. 390. For a general discussion of the rise of property values in Kansas City see *Encyclopedia of Missouri History*, Vol. V, pp. 308–309.

[20] *People's Tribune* (Jefferson City), Nov. 30, 1881.

[21] There is no formal biographical sketch of Swope but the newspaper and reminiscent material is extensive. See especially reminiscences of Daniel Geary in *Annals of Kansas City*, p. 227.

[22] Letter is printed in *Kansas City Star*, June 19, 1921.

joining the city for $250 per acre. I was offered for it $300 on the next day, and yesterday $600 per acre was offered for ground equidistant from town and in no way more valuable than what I have.

The sudden rise in prices is due to the presence of many speculators who have come west to attend the sale at Leavenworth and who do not fail to see the natural advantages of this place (saving, of course its unfortunate site).

I have engaged a surveyor to lay off my property into lots and shall make it an addition to the city. I confidently expect to realize $1,000 per acre for it in a year.

During the period of which Swope wrote, fantastic gains were being recorded in the sale and resale of land. To cite an extreme example, on June 19, 1850, John Campbell sold 80 acres in what was later McGee's Addition for $2,000 to Hezekiah Pollard. On December 31, 1856, Pollard sold the parcel to Jess Riddlesbarger for $3,000. And just a little over a month later, as a flurry of real estate buying got under way, Riddlesbarger disposed of this same acreage for $12,000. [23]

Others important in this group of late-arriving land buyers include Nehemiah Holmes, founder of the Kansas City Street Railway System after the Civil War, who came to the city as a young man of thirty after having been in the mercantile business in Mississippi. He operated a small tailor shop, took part in the organization of the Mechanics' Bank, and bought extensive property. William Vineyard, a Kentuckian who had money in stock speculations, came in 1858, purchased land, and by the 1890's had found his way into the lists of Kansas City millionaires.[24]

This later group added their energies to those of the pioneer land developers, such as McGee or Lykins, who had begun to establish the local institutions and organizations necessary to foster city growth. Realizing that success lay in decisions to be made elsewhere, they launched a program to get government mail routes, military freighting contracts, land grants, and, most important, railroads. In the years before the Civil War, Kansas City was almost completely dominated by this land-holding group, and in contrast to rival neighboring communities such as Leavenworth, they were able to gain united support for the bond issues to railroads and other public

[23] Land records in Office of the Recorder of Jackson County, Kansas City, Missouri, Book P, p. 385; Book Z, p. 306; Book Z, p. 401.

[24] The compilation of lists of local millionaires was a popular pastime of journalists during the 1890's. Although these lists often differ radically in regard to Kansas City fortunes, I have considered even a single mention as evidence of substantial wealth. The important point, however, is the overwhelming preponderance of real estate interests among those listed as Kansas City millionaires. For an analysis of two such lists of millionaires in the United States, see Sidney Ratner, *New Light on the History of Great American Fortunes* (New York, 1953).

improvements which they considered essential. The hiring of Van Horn offers an example of the kind of necessary collective activity undertaken by the Kansas City business community. If the goals of the leaders were to be achieved, an organ to advertise the town and to express their consensus on various subjects was necessary. And Van Horn, it might be added, performed his role of professional booster in especially able fashion. In addition to publishing a vigorous newspaper dedicated to publicizing the economic prospects of the community, he was a good lobbyist and a forceful framer of memorials, petitions, and pamphlets expressing the viewpoints of the local leadership.

The most important organization established to back the necessary programs was the Kansas City Chamber of Commerce. For all practical purposes, the Chamber was the effective government of the city in the years before the war, and its actions indicate the range of the business community's interests. Efforts were made to persuade the federal government that Kansas City should be the starting point for mail service to California; to improve navigation facilities on the Kansas River; to obtain state charters for local insurance and banking companies; to extend the city limits; to import goods directly from Europe by way of the Gulf of Mexico; and to remove the Indians from Kansas Territory. Most important, the Chamber was the organization through which the city leaders expressed their railroad program. This was the central concern of local businessmen, for they recognized that if their design for a great city was to be realized, and city additions and other properties were to be profitable speculations, railroads built into the region would have to pass through Kansas City.[25]

By 1860 Kansas City business leaders were beginning to regard the city's future as secure. Population growth had been rapid and steady — reaching over 4,000 according to the census reports, although local estimates were much higher. The Santa Fe trade, the government freighting business, the proposed terminus of the Pacific Railroad of Missouri all were located there. "Complete the Pacific and our future is safe," asserted Van Horn in the *Journal*. "We have but to finish what we have so well begun and all is well. The beginning has already more than gratified our expectations and the end will perfect our hopes." [26]

The outbreak of war shattered this optimism and brought about

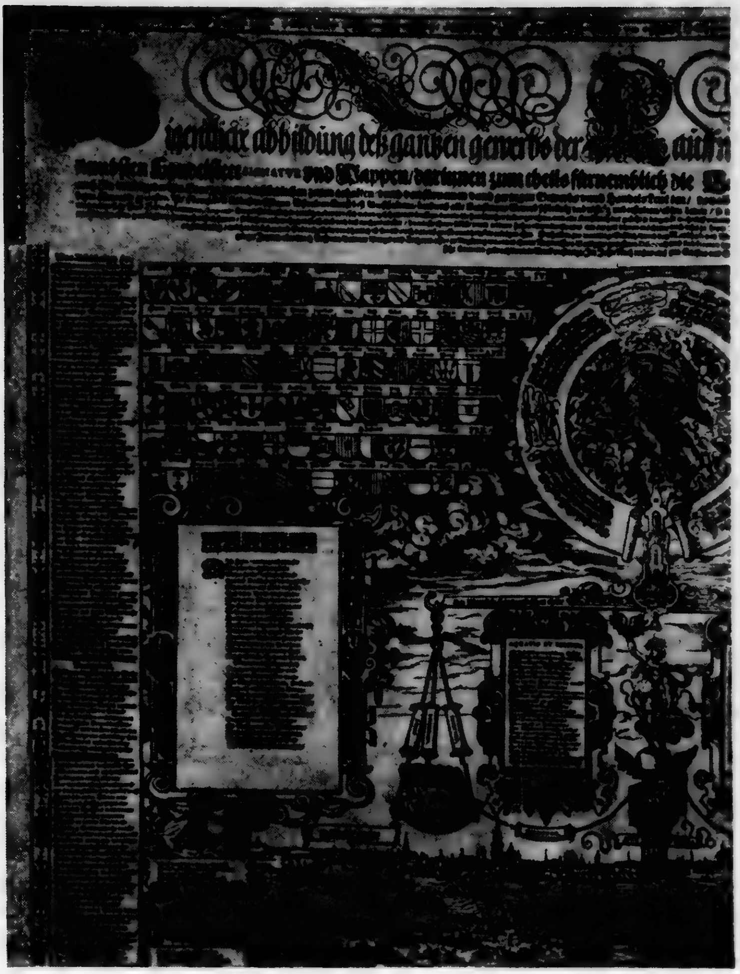
[25] A transcript of the "Minutes of the Chamber of Commerce of Kansas City, Missouri, 1855–1879," is available at the Native Sons Archives and is the best source for examining the joint actions undertaken by the Kansas City business community.

[26] *Western Journal of Commerce*, May 24, 1860.

drastic changes in the organization of the economic life of the city. By and large, the city founders were of Southern descent. A majority held slaves and were pro-Southern in attitude. In the pre-Civil War controversies, however, and particularly during the Border Troubles, local business leaders adopted an attitude of careful political neutrality. This position was in sharp contrast to the attitudes of neighboring communities where politics was emphasized at the expense of business. Reid and McGee modified their pro-Southern positions and Coates softened his equally intense pro-Northern view to conform to a more practical consensus. But with the outbreak of fighting, this studied neutrality broke down. Unsettled conditions along the border, depredations on the Santa Fe trail, the expulsion of pro-Southern businessmen caused an enormous upheaval. The current of immigration came to a standstill, and the town's population declined by over a half. All government freighting and much of the private traffic was transferred to better protected Leavenworth in 1861. Kansas City lost its position as the freighting capital of the plains, and the coming of the railroads during the war was to destroy the overland caravan trade for all time.

The ranks of the city's business community thinned out. Some were expelled; others left of their own accord to weather out the storm elsewhere. Many of the early prominent merchants such as Franklin Conant and Jesse Riddlesbarger were ruined by the war. But a majority of the business leaders held on or returned to build fortunes. And it is significant that they did so almost exclusively through real estate. Livestock, grain, and meat packing, the industries which constituted the basis for the city's revival and its rapid and spectacular growth, were controlled in large part by outside investors, such as the Armours in meat packing, or by those who transferred well-established businesses from other locations. Not one instance of a prewar merchandising, wholesale, or commission business surviving into the postwar era under the same ownership has been found. But those who owned city additions and other property and who kept their holdings, as most of them did, and who took up the task of redevelopment at war's end were frequently rewarded with large fortunes. Business success in Kansas City thus bore a fundamental relation to participation in an identifiable "urban enterprise." Early town founders and business leaders made large-scale profits largely through shaping their aspirations at an early date to the most optimistic forecasts concerning the town's future, investing in enterprises in accordance with this possibility, and concentrating

their collective efforts on intensive community promotion. In this fashion, individual business interest in early Kansas City came to bear a striking relationship to what can be called the general interest of the city. The example of Kansas City suggests that a major source for business profits in the development of the West lay in a nearly complete identification with the fortunes of a town site from the first stages of its growth.

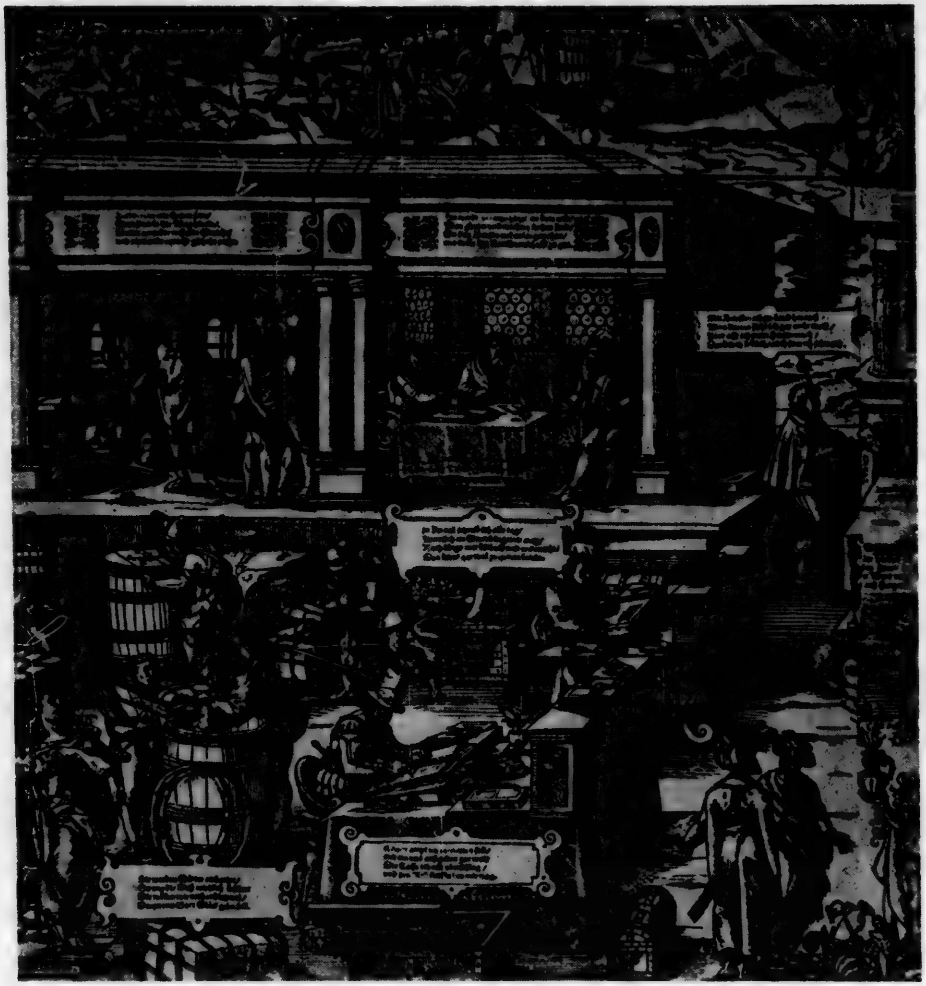


The Jost Amman Print

Aigentliche Abbildung dess Gantzen Gewerbs der Kauffmanschaft

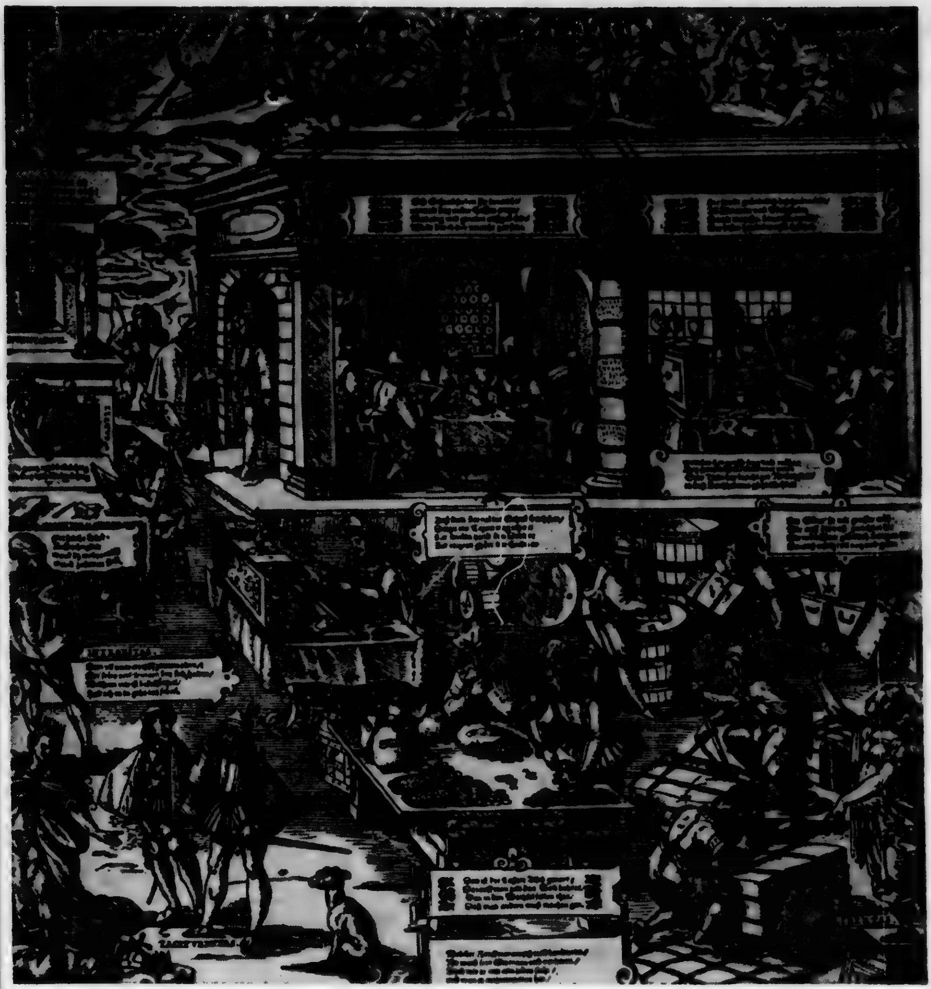
by Dorothea D. Reeves
KRESS LIBRARY OF BUSINESS AND ECONOMICS
AT HARVARD GRADUATE SCHOOL OF
BUSINESS ADMINISTRATION

This allegorical representation of commerce is based on the business scene in sixteenth-century Germany. It was conceived by Johann Neudörfer, was engraved on six woodblocks by Jost Amman (1539–1591),



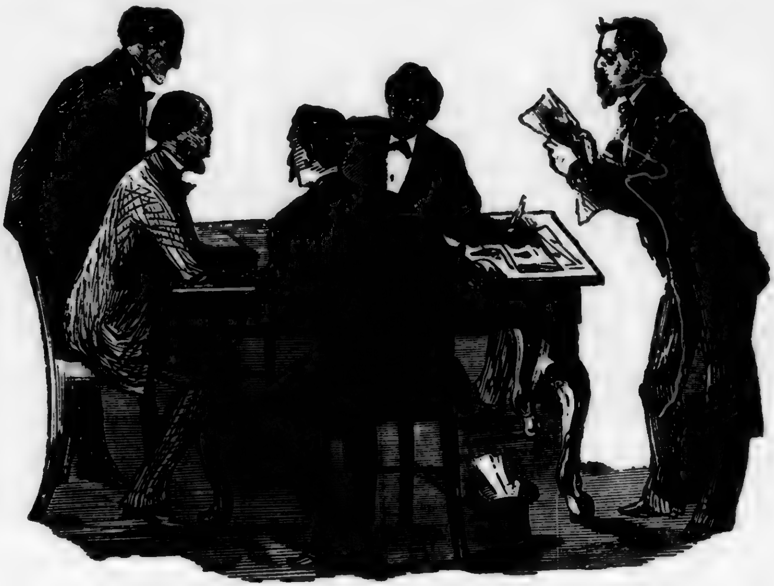
and printed at Augsberg in 1622. Mr. Philip Hofer, Curator of the Department of Printing and Graphic Arts of the Harvard College Library, early this year presented this intricately detailed engraving, measuring 30 x 46 inches, to Baker Library, where it enriches a growing collection of works of art portraying the business scene.

Across the top of this large picture are the coats of arms of the leading commercial cities of Europe, arranged by the month of the year when fairs took place. Beneath these are Mercury and Fortune, with scales symbolizing the balance sheet, along with scenes characterizing the conditions and circumstances that affect the balance: mining, war, death, and the risks run in traveling by land or sea. The business establishment of a merchant prince is delineated in a series of vignettes (shown above) across the bottom section of the engraving. In one, he is shown seated beneath



his *secretum liber* or confidential account book, handing a letter to an armed messenger while his secretary works below. In another, the merchant confers with his partners; in others, goods are being weighed, marked with the special symbol of this firm, and packed for shipping. Money and other treasure are recorded, bookkeepers are making entries in the journal and ledger. Various figures symbolize the qualities and knowledge that make for success in business: a sense of duty, integrity, taciturnity, a knowledge of languages, and freedom of trade.

Verses on both sides of the engraving, by Casper Brinner, Neudörfer's pupil, explain double entry bookkeeping. Other verses, in appropriately positioned cartouches, interpret the various aspects of business activity, making this engraving one of the most comprehensive early portrayals of the business scene.



Small City Industrialists in the Age of Organization

Case Study of the Manufacturers' Association of Montgomery County, Pennsylvania, 1908–1958

The movement for nation-wide association among businessmen was echoed at the local level as well. This study of why and how a "grass roots" association developed suggests that the causative forces included not only material benefits but also a desire for status.

by James H. Soltow

BUSINESS HISTORY FELLOW
AT HARVARD GRADUATE SCHOOL
OF BUSINESS ADMINISTRATION

"In no country in the world has the principle of association been more successfully used, or more unsparingly applied to a multitude of different objects than in America," commented Alexis de Tocqueville in 1835.[1]

[1] Quoted in Robin W. Williams, Jr., *American Society: A Sociological Interpretation* (New York, 1951), p. 466.

However much this French observer may have been impressed by the importance of organizations in the United States at that time, the scope of association activity was small in comparison with what was to come in the twentieth century.[1] Indeed, organizations in all areas of life have grown in number, size, and power to such an extent in the last half century or so as to constitute an "organizational revolution."[2] As American society assumed an increasingly complex character by the turn of the twentieth century, many interests — producers, distributors, workers, and farmers — came to the conclusion that they must "organize or perish." As one writer has put it, industrialism "shifted the context of economic decisions from personal relationships among individuals to a struggle for power among well-organized groups."[3] As early as the 1890's William Dean Howells had maintained that "the struggle for life has changed from a free fight to an encounter of disciplined forces."[4]

In the industrial world, the most familiar evidence of this trend to organization was the formation of the large combinations. Likewise, trade associations were being set up on national and regional levels by producers and distributors in individual industries.[5] Still another aspect of organization was the founding in 1895 of the National Association of Manufacturers, in which industrialists banded together to support high protective tariffs and to oppose the expansion of labor unions.[6] Because of the powers of the state governments over economic matters in a federal system, associations of manufacturers were formed in the leading industrial states, as, for example, in Illinois in 1893 and in Pennsylvania in 1909. In both cases, the impact of welfare legislation, such as workmen's compensation and the regulation of the hours of work of women, was a major concern of industrialists. Pennsylvania manufacturers

[1] This article is the revision of a chapter in a doctoral dissertation, "Manufacturing in Norristown, Pennsylvania, in the Twentieth Century," completed in 1954 at the University of Pennsylvania under the supervision of Professor Thomas C. Cochran. The author wishes to express his appreciation to Mr. Walter A. Knerr, Executive Secretary of the Manufacturers' Association of Montgomery County, and Mr. Robert S. Scott, Director of Industrial Relations, for their cooperation in making available information about the association's history, but he assumes full responsibility for the accuracy of the data and for interpretations.

[2] This is the concept developed by Kenneth E. Boulding, *The Organizational Revolution* (New York, 1953).

[3] Samuel P. Hays, *The Response to Industrialism* (Chicago, 1957), p. 48.

[4] Quoted in Richard Hofstadter, *The Age of Reform: From Bryan to F.D.R.* (New York, 1955), p. 214.

[5] Trade associations on a regional basis had their origins as early as the second decade of the nineteenth century. Louis C. Hunter, *Studies in the Economic History of the Ohio Valley* (Northampton, 1934). However, the last decade of the nineteenth century and the first decade of the twentieth marked the "formative stage" of the development of national trade associations. National Industrial Conference Board, *Trade Associations: Their Economic Significance and Legal Status* (New York, 1925), pp. 11–16.

[6] Robert A. Brady, *Business as a System of Power* (New York, 1943), pp. 189–198.

also directed their efforts to oppose a state tax on the capital stock of corporations.[7]

Even on the local level, industrialists joined together to meet their problems. In Pennsylvania, for example, manufacturers' associations were organized in York County in 1906, in Montgomery in 1908, and in Lancaster in 1912. It is to an analysis of local business association that this article is directed. A survey of the history of the Manufacturers' Association of Montgomery County, Pennsylvania, may provide some understanding of how and why organization develops at the "grass roots" level.

Because of the diversified nature of manufacturing in the southeastern part of the "Keystone State," the county has reflected many of the characteristics of American industry as a whole. Population in Montgomery, which lies just to the northwest of the Philadelphia metropolitan area, advanced from slightly under 139,000 in 1900 to an estimated 407,000 in 1954. The number of workers employed in manufacturing increased from 18,695 at the turn of the century to 60,000 in the mid-1950's. The major industrial trends in the county have been the decline of textiles and the advance of metalworking, machinery-making, and plastics-manufacture. As a result of these changes in industrial composition, the manufacturing of the county has become more diversified over the course of the last half century. By 1956, 18 of 19 major industrial classifications were represented in Montgomery County, according to a survey of industrial buying power conducted by a national sales management firm. Almost one-half of Montgomery's 648 manufacturing establishments in 1947 employed fewer than 20 workers; only 43 had 250 or more employees.[8]

At the time of the formation of the Manufacturers' Association of Montgomery County in October, 1908, industrialists were concerned about social legislation under consideration in the Pennsylvania legislature. Textile manufacturers, particularly, were opposed to laws regulating the employment of women and children. Other industrialists were alarmed about the terms of proposed

[7] Alfred H. Kelly, *A History of the Illinois Manufacturers' Association* (Chicago, 1940), pp. 3–6. R. Bruce Brumbaugh, "The Grundy Movement in Pennsylvania" (Senior thesis, Princeton University, 1953), pp. 14–26. Edward H. Owlett, "The Pennsylvania Manufacturers' Association: A Study of Business in Government" (Senior thesis, Princeton University, 1949), pp. 43–48.

[8] U. S. Bureau of the Census, *Twelfth Census of the United States*, Vol. VIII, *Manufactures*, Part II (Washington: United States Census Office, 1902), pp. 760–761. U. S. Bureau of the Census, *Census of Manufactures: 1947* (Washington: Government Printing Office, 1950), Vol. III, p. 543. U. S. Bureau of the Census, *U. S. Census of Manufactures: 1954* (Washington: Government Printing Office, 1957), Vol. III, p. 137–5. *1956 Industrial Directory of the Commonwealth of Pennsylvania* (14th ed.; Harrisburg: Commonwealth of Pennsylvania, 1956), p. 739. Norristown *Times Herald*, July 26, 1957.

workmen's compensation legislation. Organization was necessary, the secretary of the new organization wrote, to "offset . . . hysteria . . . on the part of the public and which we fear will result in absurd laws being passed by our legislature."[9] Officers were careful to state, though, that members of the association "were not hostile to proper legislation, and that it was not our purpose to seek new legislation other than that which is for the general good."[10] At the same time, manufacturers recognized that their interests were different from those of other members of the business community. The Manufacturers' Association defined its relations with Chambers of Commerce in this way:[11]

> Manufacturers have specific interests which do not always run along lines of others' interests; for instance: during the manufacturers' fight against unfair legislation in the employment of women and children, the Chamber of Commerce of Philadelphia could not support our position, lest it should drive customers away from the retail dealers. This position was taken especially by the large department stores.

However, industrialists were interested not only in defeating legislation deemed hostile to their self-interest, or contradictory to their concept of the general good, but also in defending themselves against the general antibusiness attacks of the Progressive period. Desire for material benefits which association might secure may have been the most important single reason for organization, but the demand for definition of status was of fundamental significance as well. In the same way that farmers organized to protest against the status of "hick" or "rube," as well as to further their economic interests,[12] industrialists regarded social legislation and the arguments advanced for its passage as the symbols of a questioning of their integrity. Something of this attitude was expressed a few years later in a letter from the secretary to the president of the association:[13]

> The manufacturers are neither antagonistic to the welfare of the women and children working in their factories, nor are they a class set aside from the general run of people to be considered as inhuman. On the contrary, they have always been . . . a great help to the community, and coming in daily contact with the working classes, they aid them and assist them morally, physically, and mentally, as well as financially. . . . I have dwelt somewhat largely upon this point because of the many articles which have been appearing in our magazines and daily newspapers.

[9] W. W. Finn to L. E. Taubel, March 8, 1909. Unless otherwise indicated, all correspondence cited here is in the files of the Manufacturers' Association of Montgomery County.
[10] C. F. Williams to W. W. Finn, Nov. 6, 1908.
[11] W. W. Finn to Woodstock Woolen Company, June 15, 1917.
[12] Boulding, *Organizational Revolution*, pp. 19–21.
[13] W. W. Finn to C. F. Williams, Feb. 7, 1913.

Extensive lobbying activities were sponsored in connection with the aims of the organization to defeat or modify legislation. Members were advised that "the only way to offset harmful legislation is to watch it carefully and keep in close touch with the legislators." [14] The association requested contributions from local manufacturers to support the work of Joseph R. Grundy and other spokesmen of industry at Harrisburg.[15] After the formation of the Pennsylvania Manufacturers' Association in late 1909, the opposition of industrialists to various items of social legislation was organized on a state-wide basis. To defeat legislative proposals regarded as harmful to industry, the state organization urged manufacturers to voice their protests in letters or telegrams to legislators. As an affiliate of the Pennsylvania Manufacturers' Association, the Montgomery County organization could claim credit in helping to thwart the passage of such bills as those to establish an eight-hour day in 1911, to set minimum wages in 1913, and to liberalize the provisions of the workmen's compensation law in 1917.[16]

The county association was also interested in legislation on the national level. In 1910, the organization urged repeal of the recently enacted federal corporation income tax. The association also thought that it "might wield some influence in the matter of the tariff at Washington." [17] In 1916, it called for the defeat of the federal bill providing an eight-hour day for railroad workers on the grounds that such a law would lead to an increase in freight rates and might provide an entering wedge for further legislation restricting the length of the working day in other industries.[18]

Membership grew slowly in the first decade of the association's history. By 1917, the organization had only 31 members. Because of the stress placed upon opposition to legislation regulating the labor of women and children, the association had to overcome some resistance from businessmen in industries which did not employ workers in these categories to any great extent. Also, some industrialists, who had been assessed by national or regional trade associations to support lobbying, grumbled when dues were levied after 1912 on the basis of number of employees. For example, a shirt

[14] W. W. Finn in letters to various members of the association, May 17, 1912.

[15] W. W. Finn to various members of the association, July 26, 1909.

[16] W. W. Finn to various members of the association, July 5, 1917. The Workmen's Compensation Act of 1915 was patterned after a bill drawn up by the Pennsylvania Manufacturers' Association in 1913, although the Progressive Republican administration of Governor Brumbaugh claimed credit for its authorship. Brumbaugh, "The Grundy Movement in Pennsylvania," pp. 22–24, 28–29.

[17] W. W. Finn to Harrison Safety Boiler Works, Feb. 9, 1909. Report of secretary to members, 1910.

[18] W. W. Finn to R. E. Gephart, Sept. 13, 1916.

manufacturer reported an assessment of $50 by the Shirt Manufacturers' Association, and a brewer stated that he was already "paying a large amount" of money out, presumably to fight Prohibition.[19]

The Manufacturers' Association of Montgomery County, however, was undergoing by 1916–1917 a transformation in basic aims – from an emphasis upon opposition to social legislation to a stressing of the performance of services for member manufacturers. The first important evidence of this was the participation by the local organization in the formation of the Pennsylvania Manufacturers' Association Casualty Insurance Company to handle compensation insurance as required by the Pennsylvania law of 1915. The office of the county association handled the solicitation and writing of policies and received and investigated claims. Policyholders participated in the profits of the company, thereby effecting considerable savings. Also, the association undertook to organize safety work in factories. Manufacturers could obtain lower compensation insurance rates by following safety practices recommended by the association.[20]

To handle this work, the association for the first time opened a regular office in downtown Norristown, the county seat, in 1917. At the same time, the secretary, whose work previously had consisted almost entirely of handling correspondence while he retained his position in a local hosiery firm, became a full-time salaried officer of the association at $50 per week.[21]

The county association now emphasized that participation in the local organization supplemented membership in national or regional groups, particularly in the matter of "handling the help." The secretary pointed out to prospective members how the manufacturers of a community "have frequent meetings, at which matters of local interest, especially regarding labor conditions, are discussed, and an endeavor made to treat each other with proper decency as to taking each other's help." [22] When a Philadelphia textile company contemplated in 1917 setting up a branch plant in Norristown, as a lesson to the union "agitators who have interfered with their business," the Montgomery County office replied that the community was "not a good location for them to select," since a shortage of

[19] Quaker City Shirt Manufacturing Company to W. W. Finn, April 12, 1912. Adam Scheidt Brewing Company to W. W. Finn, May 16, 1912.

[20] Norristown *Herald*, Nov. 2, 1915; Dec. 22, 1915. Feature story on the association's history, Norristown *Times Herald*, Sept. 14, 1935.

[21] Miscellaneous records of the association.

[22] W. W. Finn to Harrison Safety Boiler Works, Oct. 27, 1917.

labor already existed for local manufacturers.[23] During American participation in World War I, the association took on special functions, such as handling the work of the Montgomery County Fuel Commission, responsible for rationing this commodity to industrial users.[24]

Membership expanded significantly during the decade of the 1920's. Unfortunately, no records of the association exist for the period from 1918 to 1927. In the latter year, the county organization counted 212 members. Because of depression conditions, membership declined after 1929, to a low of 171 in 1934–1936. However, even at the bottom of the depression in 1933, the association gained seven new members, although they did not balance the 18 lost. Membership increased gradually after 1936 to 193 in 1940, 216 in 1947, and almost 300 in 1958.[25]

Very likely, the benefits of the workmen's compensation insurance service, available only to members, accounted for much of the growth of the organization after 1918. Under the stock participating plan, the Pennsylvania Manufacturers' Association Insurance Company has returned to policyholders each year any excess of premiums remaining after payment of losses and expenses, the setting aside of reserves, and the limited dividend of 6 per cent of capital invested by stockholders. Member manufacturers have thus received the advantages of a mutual association through participation in earnings, but they have not been legally liable for assessments to make up any deficiencies. Salaried employees have handled the writing of policies, so that the company has had to pay no brokerage fees or commissions to agents. Industrialists since 1919 have been able to place their automobile fire and theft insurance with the Pennsylvania Manufacturers' Association Fire Insurance Company. Through these two companies, members of the Manufacturers' Association of Montgomery County, as well as those of other local associations in Pennsylvania, have been able to insure 15 different types of risks, including workmen's compensation, product liability, and automobile insurance. Savings to holders of policies written by the casualty company have been 25 to 35 per cent of premiums paid,

[23] Walter Lynn, Associate Secretary, Pennsylvania Manufacturers' Association, to W. W. Finn, May 16, 1917. Finn to Lynn, May 28, 1917.

[24] Norristown *Times Herald*, Sept. 14, 1935.

[25] Annual reports of the Executive Secretary, 1928–1958. The ensuing discussion of the work of the Manufacturers' Association is based in large part upon the annual reports submitted by Mr. Walter A. Knerr, Executive Secretary since 1927, upon reports prepared by the Executive Committee of the association, and upon information supplied orally by Mr. Knerr and Mr. Robert S. Scott, Director of Industrial Relations at the association.

while the fire insurance firm has distributed 50 per cent of premiums.[26]

Closely connected with the insurance activities has been the safety program, because workmen's compensation rates depend upon accident experience of individual plants. Since the early 1940's, at least 20 per cent of dues income has gone into safety work. Although the association entered the safety field before 1920, experience during World War II stimulated activity in this area, as the United States Department of Labor had authority to withdraw war contracts from plants whose safety standards were deemed to be substandard. Assistance has been given to companies in efforts to eliminate unsafe practices, and safety programs have been organized for plants with high accident rates. For incentive beyond lower insurance costs, awards have been made to companies with low accident rates. The association has stressed accident costs—indirect as well as direct—to employers. For example, a safety bulletin issued by the association pointed out that one simple accident cost over $100 in time lost by other employees and in machine repair, even though no compensation was paid to the slightly injured worker.[27]

With the growth of organized labor, industrial relations services have assumed an important place in the work of the association. The collection of statistics on prevailing wage rates, hours, and other working conditions was started in the early 1930's and has been steadily expanded to include fringe benefits, vacations, holidays, pension plans, and other items. The association also has provided a service for the analysis of all union contracts in force in the county. Thus, the employer, and particularly the smaller industrialist who might not otherwise gain access to such data, has been able to carry to the bargaining table a precise knowledge of labor practices of the firms in the area. Officially, the association has made these data available "in order that a lack of knowledge . . . in any one plant may not precipitate a condition that would jeopardize sound labor relations throughout the county."[28]

In regard to legislation, the association has in a sense reversed its policy of the early years. Its practice has been to bring proposed laws to the attention of members rather than to take an official stand as an organization. This is due in large part to the diversified character of industry in Montgomery County, which would make

[26] Edward H. Owlett, "The Pennsylvania Manufacturers' Association: A Study of Business in Government," pp. 18–25.
[27] *Safety News* (Manufacturers' Association of Montgomery County), May, 1958.
[28] Brochure issued by Manufacturers' Association of Montgomery County, 1958.

difficult a united position on matters such as tariff legislation. Through bulletins issued by the association, local industrialists have been informed of changes made, and changes proposed, in federal and state laws affecting their business operations. Local legislation, such as zoning laws, has been a subject of increasing interest and study in recent years.

In line with the growing recognition by business of the value of good community relations, the association has expanded its activities in this field, in order that the importance of manufacturing might receive more attention on the part of the general public. The association's office has made available literature for distribution and has maintained an informal speakers' bureau through which local civic groups may contact prospective speakers. In cooperation with the Montgomery County Science Teachers' Association and Ursinus College in Collegeville, the Manufacturers' Association sponsored a science fair in the spring of 1958, with the long-range view of increasing interest in engineering and science subjects useful to industry.

Since knowledge of the latest business techniques has come to be regarded as essential for survival in a complex industrial society, the organization during the last decade has expanded its educational services for member manufacturers. Courses in management methods have been sponsored for the benefit of executives of smaller companies who are not able to pay large sums or to get away for the time necessary to take such instruction at business schools. For example, a course in "office productivity" has stressed the significance of efficiency in this area of operations. Along a similar line, the association has organized traffic sessions, at which local industrialists can become acquainted with laws and tariffs regarding the shipment of their goods and materials.

The association has also undertaken responsibilities as the need has developed. For example, in 1930, the organization contributed $2,000 to support the formation of an Emergency Employment Bureau to meet the unemployment problems of the Depression. A few years later, the organization's executive committee urged continuation of wage and hour standards that had been imposed by the National Recovery Administration before that agency was judged unconstitutional. When a survey showed that two members of the association had reduced hourly wage rates and increased number of hours worked in 1935, this influential group stated that "we deplore this lack of cooperation and will do everything possible to counteract it." In 1940, a watchdog committee on traffic and ship-

ping was set up to study problems of local shippers. During World War II, a study was made of employee transportation problems in view of the tire shortage. Another wartime activity was the direction of a campaign to collect scrap materials. After the war, the association urged cooperation by its members with the state government in solving the problem of pollution of the Schuylkill River. During the Korean War, the office of the secretary sent questionnaires to members regarding plant facilities as part of an effort to secure business for local manufacturers under the defense program.

To handle the increased work of the association resulting from expanded membership and a greater array of functions, the size of the staff has been enlarged. In addition to the executive secretary, the association has employed a safety engineer since 1933. By 1958, 21 workers were employed on the staff of the organization, 16 of whom serviced policies and claims of the insurance department. Larger and more convenient quarters were obtained for the association in 1951, when offices were moved from downtown Norristown to a large house near the outskirts of the borough.

Income from membership fees, which has provided the financial support for the association's work, advanced steadily from $13,000 in 1938, to $21,500 in 1946, $34,500 in 1951, $41,800 in 1953, and $52,900 in 1957.[29] This increase resulted not only from an expansion in the number of members but also from a rise in the level of fees. When the organization first found it necessary in 1912 to base its finances upon regular dues rather than sporadic voluntary contributions to meet immediate needs, it assessed its members at the rate of 10 cents per employee. In the 1930's, the structure of membership fees was reorganized to provide for flat rates for various size categories. As indicated in the table below, the minimum dues doubled in amount from 1938 to 1957 and the maximum almost quadrupled.

What does this brief survey of the experience of an organization of local industrialists contribute to an understanding of organization in general? The twentieth century ushered in "an age when but little can be accomplished except through organization," as the president of the National Association of Manufacturers pointed out in 1911.[30] However, over the course of the last half century, the specific demands for organization have changed. Likewise, new types of responses have been developed to meet the problems for

[29] About 90 per cent of annual dues income has been used for the work of the local organization, with the remainder going to the Pennsylvania Manufacturers' Association to support its activities.

[30] Quoted in Brady, *Business as a System of Power*, p. 193.

business resulting from the rise of large-scale organizations in American society.

MANUFACTURERS' ASSOCIATION OF MONTGOMERY COUNTY: DUES PAID BY MEMBER FIRMS

Number of employees	1938	1946	1951	1953	1957
15 or less	$ 25	$ 30	$ 50	$ 50	$ 50
16–25	25	30	50	60	70
26–50	40	50	75	90	105
51–100	75	95	125	150	175
101–200	100	125	175	210	245
201–300	150	190	250	300	345
301–400	175	220	325	390	450
401–500	250	325	425	510	590
501–1,000	250	400	525	630	725
Over 1,000	250	500	650	780	900

The Manufacturers' Association of Montgomery County arose in large part as a protest against the development of Big Government during the Progressive period, which carried the threat of legislation deemed to be detrimental to the self-interest of local industrialists and, in the opinion of these men, to the general welfare of society. The organization's early tactics in this area consisted largely of lobbying against proposed laws. However, with the growing acceptance of welfare legislation as a part of the industrial climate, the association turned its efforts to finding ways to cushion the impact of such laws on business, principally through its handling of low-cost compensation insurance and its development of safety programs to reduce costs through lower accident rates. Likewise, manufacturers have found it no longer possible to take for granted their status as community leaders. Thus, to meet criticism of the business system, the association has emphasized in recent years its program of community relations.

The growth of Big Labor has created another set of problems for manufacturers. Since its early years, when labor problems were approached from the point of view of employers treating each other "with proper decency" in competing for workers in the local labor market, the association has adopted a new set of policies to meet changing conditions. With the increased power of unions, the surveys of wages and fringe benefits and the analyses of union contracts have been of fundamental importance to the small industrialist in maintaining equality at the bargaining table.

Still another factor of significance for the small enterprises, which comprise the majority of the membership of the organization, has been the need to compete with Big Business. In this field, the Manufacturers' Association has contributed to the survival potential of small business enterprises by making available through its educational program a knowledge of sophisticated concepts of management methods. Also, a large part of the organization's safety program has been directed to the small enterpriser who is not ordinarily exposed to formal safety programs and in whose plants appear the highest accident rates.

To summarize these data in a slightly different way, the Manufacturers' Association of Montgomery County was in its early years largely negative in its approach to the problems of the local community of industrialists with its emphasis on opposition to social legislation. However, it eventually developed its role in the business community as an organization to perform positive service functions for member manufacturers.

The Montana Company, Limited

Case Study of an Anglo-American Mining Investment

The mineral riches of the West were exploited in distinct stages. Before a settled industry could emerge, highly speculative development companies bought out the discoverers, skimmed the cream, and braved the hazards of nature and management. Some, like the Montana Company, flourished for a time, but litigation, depletion, absentee ownership, and high costs made long-term existence almost impossible.

by Clark C. Spence
ASSISTANT PROFESSOR OF HISTORY
AT THE PENNSYLVANIA STATE UNIVERSITY

Throughout the last half of the nineteenth century and well into the twentieth, private capital from Great Britain moved readily into mineral enterprises in practically every part of the globe. If the flow of investment shifted geographically as new opportunities arose, if it ebbed and swelled with the tide of domestic and international economic fortune, it was never halted nor even checked materially until the period of World War I. In the heart of London's financial district alien-sounding names became familiar jargon. Clerks and brokers quickly learned to pronounce such

words as Ashanti, Klondike, Coolgardie, and the Rand as easily as their own native Dorking or Cricklewood.

Those same clerks and brokers were equally well acquainted with strange names like Grass Valley, the Comstock, Butte, and Cripple Creek, for the mines of the American West attracted English capital just as did other areas. Between 1860 and 1901, at least 518 British joint-stock companies were registered with the Board of Trade to engage in mining or milling activities in the region of the so-called "Last Frontier," excluding the Pacific Coast proper. Probably no more than 274 of these, commencing as new concerns, ever succeeded in raising the necessary funds and began actual operations.[1] And only a handful could in any real sense be regarded as lucrative investments as far as their stockholders were concerned.

From the beginning, such companies – successful and unsuccessful alike – faced challenging obstacles, which most failed to surmount. Most paid too much for their American property, were overcapitalized, yet lacked working capital; most were encumbered with managers who were at best nonchalant and at worst dishonest. A great many expended the whole of their capital without finding ore worthy of the name, while those fortunate enough to strike pay dirt were soon plagued with litigation threatening their titles. In many respects the object of this study, the Montana Company, Ltd., provides an excellent illustration of the problems besetting British mining concerns in general as they attempted to operate in the Trans-Mississippi West after the Civil War.

"Big capital" came slowly to Montana. Its entrance awaited the final sweeping away of the Indian menace and the coming of the railroads in the early 1880's. In the middle 1870's the Drumlummon group of mines had been located in Lewis and Clarke County by rough-hewn Thomas Cruse, who named them after the parish of his birth in the Emerald Island.[2] No ore was taken out, however, until about 1880. At that time, with limited equipment, Cruse was saving metal valued at $45 a ton, although the ore assayed twice that. As a contemporary expressed it, "Tommy runs a five-stamp mill on a hundred-stamp mine."[3] Capital was necessary to develop

[1] These figures have been compiled from a survey of records in the Companies Registration Office, Board of Trade, Bush House, London, and the Queen's Remembrancer, Parliament Square, Edinburgh.

[2] Of "sturdy Irish stock," Cruse had migrated to the United States in 1856 at the age of twenty. In 1863 he went to California, prospecting there and in Nevada and Idaho for several years before settling in Montana. In 1887 Cruse founded the Thomas Cruse Savings Bank of Helena, but continued his mining work also. See *Progressive Men of the State of Montana* (Chicago, n.d.), p. 40.

[3] Quoted in Michael A. Leeson (ed.), *History of Montana* (Chicago, 1885), p. 753; *Report of the Director of the Mint upon the Statistics of the Production of the Precious Metals in the United States* (1882), pp. 241–242.

the property – to sink the shafts, drive the tunnels and the drifts, install the expensive pumping and milling machinery essential to deep-level mining. Of capital, Tom Cruse had none; fortunately for him, English investors could and did provide what was needed.

First negotiations to transfer the Drumlummon to British hands came in 1882, when a small group of American promoters operating abroad under the name of the Mercantile Association, Ltd., took an option on the mine and attempted to place it on the London market. But the Mercantile Association lacked the influence necessary to handle such a large transaction and was forced to call in a kindred concern, the Joint Stock Association, Ltd., which succeeded in organizing a joint-stock company to acquire the Drumlummon.[4]

The Montana Company, Ltd., as the new organization was called, was registered with the Board of Trade in January, 1883, with a nominal capital of £600,000 ($3,000,000) in 300,000 shares of £2 each. Two-thirds of the shares were offered for public subscription. Cruse agreed to accept the remaining 100,000, in addition to £300,-000 in cash, as part of the purchase price, making a total of £500,000 or $1,500,000 received for the mine.[5]

As was customary, an elaborate prospectus was issued outlining the glories of mining in general and the Drumlummon in particular. "The Drum-Lummon Reef, Marysville, Montana, U.S.A.," explained this glowing testimonial, was believed to be "one of the Greatest Silver and Gold Mines in the World." It had been inspected by John Darlington, a British engineer, and Stewart Pixley, a London bullion broker.[6] Pixley estimated that at the 1883 depth, the Drumlummon contained £1,300,000 worth of ore; all in all, he calculated, the property concealed between 3,000,000 and 5,000,000 tons – "sufficient to keep the mine at work for the next one hundred years." Net profits would run £140,000 per year, according to his appraisal.[7]

If such rose-colored predictions were not sufficient by themselves to loosen the strings of the potential investor's purse, the composition of the board of directors was guaranteed to untie at least a few

[4] *Financial & Mining News* (London), May 9, 1884.

[5] Memorandum of Agreement (Jan. 15, 1883) between the Joint Stock Association, Ltd. and the Montana Company, Ltd.; Memorandum of Agreement (Dec. 28, 1882) between the Joint Stock Association, Ltd. and Matheson and Company; Memorandum of Agreement (Nov. 11, 1882) between Thomas Cruse and the London Mercantile Association, Ltd.; Memorandum of Agreement (Jan. 15, 1883) between the London Mercantile Association, Ltd. and the Joint Stock Association, Ltd. See Montana Company, Ltd., *Prospectus* (Jan., 1883), located in the Stock Exchange Archives, London, and *Memorandum and Articles of Association*, pp. 3, 33–36, Montana Company, Ltd., File No. 17787, Companies Registration Office, Board of Trade, London. The latter is cited hereafter as C.R.O. 17787.

[6] Pixley was Justice of the Peace for Middlesex, a member of the Court of the Goldsmith Company, and partner in the brokerage house of Pixley and Abell. London *Times*, March 14, 1899. For some idea of the scope of Darlington's mining investment activities see Walter R. Skinner (ed.), *The Mining Manuel for 1894* (London, 1894), p. 621.

[7] Montana Company, Ltd., *Prospectus* (Jan., 1883).

knots. Well-known figures – typical, titled "guinea pig" directors – were included solely to impress the British public.[8] Among them were Lord Castletown (the Honourable Edward Barnaby Fitz-Patrick, P.C., K.P.C., M.G., M.P.) and Mervyn Herbert Nevil Story-Maskelyne, M.P. and prominent mineralogist.[9] Each board member was to receive £2,500 per year for his services, plus additional stipends if the annual dividends went over 10 per cent.[10] Also for prestige purposes, the name of Matheson & Company, an important London mercantile house, was displayed prominently on the promotional literature. Matheson was, in turn, to benefit from exclusive contracts for handling all bullion and furnishing all equipment and machinery on a commission basis.[11]

The company was floated with ease, but mining operations at Marysville commenced slowly. The first manager was George Attwood, a man of experience and reputation.[12] Under his supervision, milling equipment was brought from San Francisco by rail as far as Deer Lodge, then by wagon to the mines. Delay, according to the directors, was "the chronic difficulty" of the first year, although slight profits were returned.[13] Work on the Maskelyne Tunnel began in April, 1884, and the Cruse Mill, with 50 stamps, went into operation that same month.[14] But to complete the mill, the company had been forced to borrow £30,000 from Cruse.[15] Small wonder they named it after him!

Nor did the concern have sufficient working capital to acquire adjacent claims in order to remove the threat of future boundary

[8] The term "guinea pig" was used because often directors selected for the importance of their names received one guinea for every board meeting attended. For contemporary comments on the abuse of this practice see *Engineering and Mining Journal* (New York), June 18, 1881; Malcolm Ronald Liang-Meason, *Sir William's Speculations or, the Seamy Side of Finance* (London, 1886).

[9] See *Debrett's Peerage* (London, 1936 ed.), p. 200; *Dictionary of National Biography*, 2d Supplement, Vol. III, p. 434. Other directors included J. R. Armitage, Wilmot Holland, and Thomas Pyke – all with London business connections.

[10] Qualification for holding a directorship was the ownership of £1,000 worth of shares. *Memorandum and Articles of Association*, pp. 18–19, Montana Company, Ltd., C.R.O. 17787.

[11] Matheson & Co. was originally to receive a commission of 2 per cent for handling bullion and 2½ per cent on goods and equipment supplied. A later modification scaled down these percentages and ultimately the agreement was cancelled. *Ibid.*, p. 33; Montana Company, Ltd., *Prospectus* (Jan., 1883); *Financial & Mining News*, May 9, 1884. In the 1890's at least, Matheson & Co. also purchased mines and organized mining companies to operate them. See copy of undated agreement (sometime in 1899) for purchase of the Oregon Butte Placer Mines, Fremont County, Wyoming, in James D. Hague MSS, Box 18, Huntington Library.

[12] Attwood had commenced his professional career with his British-trained father, Melville, at the age of sixteen in California and Nevada. At eighteen he was assayer, metallurgist, and chemist for the Ophir Company on the Comstock Lode. *Who's Who in Mining and Metallurgy* (London, 1908), p. 3.

[13] Profit for 1883 was £1,080. Montana Company, Ltd., *Directors' Report*, Jan., 1883, to Dec. 31, 1883; *Directors' Report*, Feb. 22, 1884. Unless otherwise noted, all circulars and company reports are located in the Stock Exchange Archives, Share and Loan Department, London.

[14] *Report of the Director of the Mint upon the Statistics of the Production of the Precious Metals in the United States* (1884), p. 309.

[15] Montana Company, Ltd., *Directors' Report*, Feb. 22, 1884.

litigation. The property in question was the Old Standard, located between the Drumlummon mine and the new mill and available at "a very low price of £30,000." Working it, however, would require a like amount.[16] At first, the directors suggested raising additional capital through the formation of a second joint-stock company, to operate in conjunction with the original one.[17] When that idea met resistance from the shareholders, it was abandoned in favor of the creation of £60,000 worth of new shares, thus raising total capitalization of the Montana Company to £660,000. While this proposal was adopted,[18] its acceptance did not come without protest. Some shareholders urged paying for the Old Standard out of the earnings of the Drumlummon, insisting that this could be done in a matter of two-and-a-half months. Others, fearing dividend losses, believed that the concern already had enough responsibilities. "You have a child a year old which is just beginning to toddle," said one investor, "and you think it will improve its walking by sticking a 56 lb. weight on its back."[19]

Hardly had the question of working capital been settled when the company was faced with its first managerial crisis. After an auspicious beginning, the production of gold dropped noticeably. A worried and suspicious shareholder residing in India commissioned a young engineer, E. T. McCarthy, to make discreet inquiries.[20] McCarthy's findings touched off a journey of inspection by two of the directors, J. A. Armitage and the illustrious Story-Maskelyne, who went out to Montana in the autumn of 1884. With the aid of Hamilton Smith, an American expert who knew the Marysville region,[21] the two Englishmen made a thorough probe and returned bristling with complaints. Manager Attwood, they described as "wanting in the business faculty indispensable for economical management."[22] They pointed out numerous examples of laxity and ineptitude at the mine which had contributed to unwarranted expenses. The company's stamp mills and compressor equipment, as

[16] Montana Company, Ltd., *Report of Proceedings at the Extraordinary General Meeting of Shareholders held at the Cannon Street Hotel, on Tuesday, the 6th May, 1884*, pp. 5–6.

[17] The proposed plan was to offer shares of the new concern pro rata to shareholders of the Montana Company in order to raise a capital of £60,000, one half of which would go to the vendor, who was represented as being willing to invest £10,000 in shares of the new firm. Montana Company, Ltd., *Circular to Shareholders*, Feb. 22, 1884.

[18] *Special Resolution*, passed May 6; confirmed May 20, 1884, Montana Company, Ltd., C.R.O. 17787.

[19] Montana Company, Ltd., *Report of Proceedings at the Extraordinary General Meeting of Shareholders held at the Cannon Street Hotel, on Tuesday, the 6th May 1884*, p. 13.

[20] E. T. McCarthy, *Incidents in the Life of a Mining Engineer* (London, n.d.), pp. 158–159.

[21] For a brief biography of Smith see *Dictionary of American Biography*, Vol. XVII, pp. 273–274.

[22] Montana Company, Ltd., *Report of Messrs. N. Story-Maskelyne and J. R. Armitage to the Board of Directors* (Nov. 12, 1884), p. 9.

well as most supplies, had been purchased at prices far above normal market values; there was no storehouse and no real system of accounting for supplies. "Large amounts of mercury, amalgam, and retorted metal had been stolen," they reported, "and there was no means of ascertaining the amounts nor the times of the thefts." Discrepancies of as much as 14 per cent appeared between assays of partially reduced ore at the mine and the bullion returns from New York smelters which completed the extraction of silver.[23]

The two directors had taken immediate steps to rectify the most obvious of the grievances. A storehouse was ordered built and a plan of double checks on supplies was instituted. Attwood was left with exacting orders to record all mercury used and all amalgam obtained at every stage of processing, and was to submit detailed monthly reports on all phases of operation. Hamilton Smith contributed a sound piece of advice, too, considering that interest rates in England were roughly one-tenth those in Montana: "If it be necessary for you to borrow, borrow at home, and then you will always be sure of the extent of your obligations." [24]

It was a stormy meeting of shareholders that discussed the Maskelyne-Armitage report in London that November. Abuse and criticism rained down upon both Attwood and Maskelyne, for Attwood was a Maskelyne appointee — "the nephew of a very dear old friend of mine," confessed the latter.[25] Maskelyne admitted that he had spent some sleepless nights because of the Drumlummon but that his faith was still undiminished. With economy, proper management and development, the mine would undoubtedly pay. Mining was an "adventure," he told the shareholders, mixing his metaphors in a way that belied his Oxford background. "You must throw a little bread on the water to-day in order that you may reap your corn at a future day." [26] Many listeners, like Stewart Pixley, who had also visited Marysville "partly for the sake of a holiday, partly from curiosity, and partly to satisfy myself," supported Maskelyne without qualification. But a majority, headed by Abraham Phillpotts, London banker with other holdings in western mines, bitterly attacked the board for retaining Attwood, and called for a "searching and thorough investigation" by a special committee. So, after much wrangling and delay, another commission trekked out to inspect the

[23] *Ibid.*, pp. 8–9.
[24] *Ibid.*, pp. 9–10, 40–41.
[25] Montana Company, Ltd., *Report of the Proceedings at a Special General Meeting of Shareholders held at the City Terminus Hotel, Cannon Street, London, E.C., Wednesday, 19th November, 1884*, pp. 5–6.
[26] *Ibid.*, p. 5.

Drumlummon.[27] Little wonder the tradition lingers in Montana that at one time there were more British officials on the premises than miners.[28]

Within a month Attwood had resigned and Rawlinson Tennant Bayliss, an engineer as well as a substantial shareholder, was dispatched on 48-hour notice to act as interim manager. The Cruse debt came due and funds were raised to meet this and other obligations by issuing more than £50,000 worth of mortgage debentures.[29] Production improved, but the problems of management were not yet solved. In May, 1885, Robert Maitland Brereton, formerly chief engineer in the construction of the Great Indian Peninsular Railway, arrived at the mine to take charge on a permanent basis.[30] Despite being unable to find suitable quarters for his family at Marysville, Brereton was delighted with what he saw. "This is a nice mining camp, one of the best I have struck in the Far West," he wrote a friend. "We have a capital lot of employees, and things look far more promising than I expected. The mine is a fine property and the mill is working very well, considering the many faults in its original construction." [31]

Brereton's contentment proved short-lived. His operating expenses were higher than anticipated and the output of bullion lower. Early in October he was summarily removed by the board, which charged him with being "extravagant and quarrelsome." [32] Returning immediately to London, he threatened legal action, but limited himself to a lengthy defense of his work in Montana and "the necessary jaw-licking" of the directorate. "I only wonder I kept from giving one & all of them the d–st caning they ever had in their lives," he confided privately.[33] Brereton insisted that he had been the victim of a conspiracy between the mining captain, Henry Bratnober ("a scamp") and Bayliss, who wished to return as general manager in a permanent capacity and, with certain of the directors, was specu-

[27] *Ibid.*, pp. 31, 38; *Engineering and Mining Journal*, Dec. 6, 1884.

[28] Muriel Sibell Wolle, *The Bonanza Trail* (Bloomington, 1953), p. 197.

[29] The actual debt was £58,000. The company was authorized to issue up to £60,000 in debentures of £20 denominations, bearing 8 per cent interest and redeemable within three years. Montana Company, Ltd., *Annual Report*, year ending Dec. 31, 1884; *Circular to Shareholders*, Jan. 29, 1885.

[30] Brereton had been employed in 1854–1855 to help construct the steamship *Great Eastern*, but left before the completion of the vessel for India, where he spent the next fifteen years of his life. In the spring of 1871 he toured the United States, then worked for five years on various projects in the West, including irrigation development in California and as manager of the Richmond Consolidated Mining Company, Ltd., a British concern operating in Nevada. Returning to his native County of Norfolk, he acted as surveyor of roads and bridges until persuaded to take charge of the Drumlummon. See Robert Maitland Brereton, *Reminiscences of an Old English Civil Engineer* (Portland, Oregon, 1908), pp. 1–33.

[31] Brereton to James D. Hague, May 19, 1885, Hague MSS, Box 11.

[32] Brereton, *To the Shareholders of the Montana Company, Limited*, Jan. 1, 1886, p. 1 [printed circular], Hague MSS, Box 11.

[33] Brereton to Hague, Jan. 9, 1886, Hague MSS, Box 11.

lating in company shares. Prior to his own arrival, contended Brereton, supplies had been sorely depleted and the "eyes were being picked out of the mine" — that is, the richest ore was being removed at the expense of development work. Naturally, he insisted, replenishment of supplies and the pushing of development or "dead" work raised operating costs, but as was pointed out, during his five-month period in charge, £36,000 had been remitted to London, over half the debentures had been retired, and dividends had been paid.[34]

Regardless of whether Brereton was rightfully or wrongfully removed, the company's problems of management were seldom troublesome after 1885. Bayliss returned and remained as general manager until 1891 when he resigned for reasons of health stemming from "such a trying climate and in such a rarefied atmosphere." [35] Perhaps one contributing factor to better, more responsible supervision was the fact that the concern also maintained a managing director, who periodically came out from England to oversee affairs.

By the end of 1885, mortgage debentures totaling £51,260 had been redeemed. Soon additional milling machinery costing $159,496 was installed, giving a total of 110 stamps for large-scale operation. Adjoining properties — the Marble Heart and Nine Hour claims — were purchased for $49,990, and by mid-April, 1887, dividends aggregating £248,307 had been distributed.[36] Profits continued to

[34] Brereton accused Bratnober and Bayliss of falsifying production records, insisting that their books actually showed a yield of 104 per cent of gold for one set of millings. *Ibid.*; Brereton, *To the Shareholders of the Montana Company, Limited*, Jan. 1, 1886, pp. 1–4. Brereton spent 1886–1889 as commissioner of the Duke of Sutherland in Scotland, then returned to North America to engage in engineering and managerial work in West Coast mines. Brereton, *Reminiscences of an Old English Civil Engineer*, pp. 35–39.

[35] Montana Company, Ltd., report of semiannual general meeting of March 31, 1891, held at Winchester House, Old Broad Street, London *Times*, April 1, 1891.

[36] Montana Company, Ltd., *Annual Report*, year ending Dec. 31, 1884; *Semi-Annual Report*, half year ending Dec. 31, 1885; *Semi-Annual Report*, half year ending Dec. 31, 1886.

flow, although in 1888 a sharp falling off in the quality of the ore frightened the directors momentarily. Joshua Clayton, the expert called in for a special examination, gave assurance that the ore was only "locally impoverished," and the mine continued to pay.[37]

Indeed, the Drumlummon became something of the "show mine" of Montana: a Senate Report of 1889 called it "the leading gold-producer" in the Territory; Union Pacific Railroad publicity two years later termed it "world-famous," and believed it "typical" of Montana mines. By that time, the property included eight miles of subterranean workings, two mills, a large machine shop, and "a first class electric light plant." The Montana Company directly employed 300 men; indirectly, almost the entire 1,500 inhabitants of Marysville were dependent in one way or another upon its operation.[38]

A sharp setback occurred in 1892, when fire severely damaged the main shaft, necessitating extensive re-timbering. In addition, floods struck the region. "The wagon roads were simply all destroyed," reported the manager, "and forty-four miles of the Great Northern Railroad was entirely washed away, cutting off our coal supply for two months' time." Heavy rains, plus the 5,000,000 gallons of water pumped in to extinguish the fire, left much of the mine flooded and meant additional capital outlay for costly pumping equipment.[39] But this was a normal hazard of deep-level mining in Montana or elsewhere.

Meanwhile, litigation — that bane of all reasonably successful mining enterprises — arose to plague the concern. In 1889, the St. Louis Mining and Milling Company challenged the Montana Company's right to work the Nine Hour lode, insisting that ore was being taken out of St. Louis ground. The American firm obtained a court order for an official survey, and the Britishers, on the advice of "the most eminent authorities in the United States," decided to fight the case through to the end.[40] Thus commenced a long series of running litigations spanning a 24-year period, consuming much of the subsequent profits of the mine, and ultimately terminating to the detriment of the English company.

Minor lawsuits with other parties were compromised without un-

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It should be noted that official *Reports* frequently contained information regarding developments several months after the period they were supposed to cover. Thus the one for the six months ending Dec. 31, 1886, actually contained news of events as late as April 15, 1887.

[37] Montana Company, Ltd., *Semi-Annual Report*, half year ending June 30, 1888.

[38] Report of the Committee on Mines and Mining Interests of Aliens in the Territories, *Senate Report* No. 2690, 50th Cong., 2d Sess. (1888–1889), p. 16; Union Pacific Railroad Company, *The Resources of Montana* (St. Louis, 3d ed., 1891), pp. 56–57.

[39] Montana Company, Ltd., *Semi-Annual Report*, half year ending June 30, 1892.

[40] Montana Company, Ltd., *Semi-Annual Report*, half year ending Dec. 31, 1889; St. Louis Mining and Milling Company v. Montana Company, Ltd., 9 *Montana Reports* (1890), p. 308.

due difficulty,[41] but the St. Louis action was especially distressing because it temporarily halted the removal of ore from the contested ground and left the Montana Company short of capital for fighting the case or for developing other portions of its property. Consequently, in order to raise additional funds, the shareholders voted late in 1892 to liquidate voluntarily the old company and reorganize as the Montana Mining Company, Ltd. Earlier the original £2 shares had been subdivided into £1 shares. Now, under the reconstruction plan, each old £1 share was exchangeable for a new share of the same par value, on which 2s. 6d. was still unpaid. A total of 657,128 shares were exchanged on this basis and 1s. 6d. was immediately assessed on each, bringing in some £47,255 in cash after the expenses of reorganization were deducted.[42]

With fresh funds at its disposal, the company pressed the dispute with the St. Louis concern and in 1894 succeeded in winning the preliminary legal battle to free its property.[43] Heavy lawyers' fees (£7,249 in the first half of 1893) and depressed silver prices after 1892 ate into profits, but the Montana Mining Company was sustained by its production of gold. While Anglo-American silver undertakings were abandoning the West for new fields during the dark days of the early and mid-1890's, the Montana Company was thriving and even reinvesting some of its profits in nonmineral stocks and bonds.[44]

Even as late as 1897, the Drumlummon was still "the most important gold mine in the state," according to the Director of the Mint. By this time, the company had erected a cyanide plant and was

[41] Montana Company, Ltd., *Semi-Annual Report*, half year ending Dec. 31, 1889; *Semi-Annual Report*, half year ending Dec. 31, 1890.

[42] Details of this reorganization, which cost a total of £2,033 18s. 8d. can be found in Montana Company, Ltd., *Circular to Shareholders*, Nov. 18, 1892; *Special Resolution*; passed Nov. 25; confirmed Dec. 14, 1892, Montana Company, Ltd., C.R.O. 17787; Skinner, *Mining Manual for 1894*, p. 228; Memorandum of Agreement (Dec. 16, 1892), between the Montana Company, Ltd. (F. W. Pixley, liquidator) and the Montana Mining Company, Ltd.; Summary of Capital and Shares to June 21, 1894, Montana Mining Company, Ltd., C.R.O. 37766; Montana Mining Company, Ltd., *Directors' Report*, six-and-one-half months ending June 30, 1893.

[43] Montana Mining Company, Ltd., *Circular to Shareholders*, May 26, 1893; *Semi-Annual Report*, half year ending June 30, 1895; St. Louis Mining and Milling Company *v.* Montana Mining Company, Ltd., 58 *Federal Reporter* (1893), pp. 129–132.

[44] The Dickens Custer Mines, Ltd., for example, disposed of its Idaho workings at what the directors estimated to be a loss of £365,336 and acquired property in Australia; La Plata Mines, Ltd. leased its Colorado holdings to its former manager and purchased interests in Mozambique; the Jay Hawk and Lone Pine Consolidated Mining Company, Ltd. suspended operations in Montana and ultimately migrated to New Zealand. Dickens Custer Mines, Ltd., *Directors' Report*, April 1, 1893, to Dec. 31, 1895; La Plata Mines, Ltd., *Directors' Report*, Oct. 27, 1892, to March 31, 1894; Jay Hawk and Lone Pine Consolidated Mining Company, Ltd., *Circular to Shareholders*, Aug. 25, 1896. The Montana Mining Company, Ltd. purchased £1,009 18s. 2d. of Bank of New Zealand bonds in 1894 and £11,415 worth of United States government bonds three years later. Montana Mining Company, Ltd., *Semi-Annual Report*, half year ending Dec. 31, 1894; *Semi-Annual Report*, half year ending June 30, 1897.

profitably working the tailings from the inefficient stamp mills.[45] Yet it was obvious that production was rapidly diminishing and, by 1899, the directors had authorized the new manager, Alexander Burrell,[46] to commence a search for another property. Using trial and error methods, Burrell laboriously sorted through the more than 900 mines offered to the concern by hopeful Americans, taking options and carrying on development work here and there before settling on the Lucky Girl group near Edgemont, Nevada, in 1903.[47] In that same year the chairman called the Drumlummon "a thoroughly worked-out property." Many shareholders, disenchanted as dividends halted, vainly advocated winding up the company's affairs and dividing its assets.[48]

Despite the gradual opening of the Lucky Girl mines, losses piled up with each successive year until by mid-1912 the concern's debts totaled £48,241.[49] In the meantime, the St. Louis company had reopened the legal contest over the Montana property. In an incredibly complex series of decisions between 1897 and 1907, the British firm managed to retain possession,[50] but almost immediately the St. Louis company renewed its attack on another part of the ground, now claiming damages of $1,000,000 for ore assertedly taken out illegally. An injunction closed the contested area, and company matters went from bad to worse. By 1908 the Montana stamp mills were silent and the tailing plant was in the process of dismantlement. Accounts were so confused that they were not finally unraveled for nearly three years.[51]

The year 1911 was the time of gathering darkness. The company's chief lawyer, Charles J. Hughes, Senator from Colorado, died while the case was still pending; the courts handed down a judgment of $203,129 against the British firm and the highest tribunal in the land

[45] *Report of the Director of the Mint upon the Statistics of the Production of the Precious Metals in the United States* (1897), p. 154.

[46] Born in Scotland, Burrell had come to Chicago when a small boy and had literally grown up in the Illinois coal mines. He came to the Drumlummon in 1888 to take charge of supplies. Joaquin Miller, *An Illustrated History of the State of Montana* (Chicago, 1894), Vol. I, p. 398.

[47] Montana Mining Company, Ltd., report of the Thirteenth Ordinary General Meeting of April 25, 1899, London *Times*, April 26, 1899; *Semi-Annual Report*, half year ending June 30, 1899; *Semi-Annual Report*, half year ending Dec. 31, 1903.

[48] Montana Mining Company, Ltd., Report of the Twenty-second Ordinary General Meeting of Nov. 19, 1903, reprinted from the London *Mining World*, Nov. 21, 1903. "We have really sunk enough money on such wild goose chase enterprises to pay for the sinking of the shaft over 500 feet," said one disgruntled investor, referring to the company's search for new property. Report of the Twenty-fourth Ordinary General Meeting of June 29, 1905, reprinted from the *Mining World*, July 1, 1905.

[49] Montana Mining Company, Ltd., *Directors' Report*, Jan. 1, 1910, to July 31, 1912.

[50] For this series, which involved the application of the controversial "apex rule," see 20 *Montana Reports* (1897), p. 406; 23 *Montana Reports* (1899), pp. 312–318; 104 *Federal Reporter* (1900), pp. 665–669; 113 *Federal Reporter* (1902), p. 903; 148 *Federal Reporter* (1906), p. 450; Montana Mining Company, Ltd., *Annual Report*, year ending Dec. 31, 1906.

[51] Montana Mining Company, Ltd., *Annual Report*, year ending Dec. 31, 1906; *Annual Report*, year ending Dec. 31, 1908; *Directors' Report*, Jan. 1, 1910, to July 31, 1912.

refused to hear an appeal. Only then did the directors agree to waive half of their normal fees. When the Montana Mining Company failed to meet the judgment, its property in Montana was brought under the hammer and went for $150,000 to the St. Louis concern.[52] To collect the remainder, the St. Louis group attempted to attach the Nevada property but were prevented from doing so by encumbering mortgages. Failing there, they then sought relief through the English courts. Finally, in February, 1913, the Montana Company paid over £8,250 from money obtained by additional calls on shares and was fully discharged from its liabilities.[53] Thus ended nearly a quarter of a century of legal controversy — a struggle which had drained the British concern of an estimated $400,000 in lawyers' fees, not to mention the loss of the Drumlummon, nearly exhausted though it may have been.[54]

With a bitter display of the superiority of hindsight over foresight, shareholders were sharply critical of their directors' action in handling the litigation. Many believed that voluntary liquidation, not the purchase of new mines, should have been the company's course in 1903. Others insisted that when legal action had commenced, the board should have resigned, letting the St. Louis company attempt to deal with the shareholders individually, if it cared. The chairman, Vere Herbert Smith, however, rejected this last dubious suggestion as being "inconsistent with the character of Englishmen . . . to say nothing of our self-respect as business men."[55] He might also have added that under the limited liability laws such an approach would have been impossible.

With the remainder of the funds brought in by calls on shares, manager Burrell paid off the mortgages against the Nevada property and commenced surface repairs before resigning early in 1914 for "reasons of health," after twenty-six years with the company. His replacement, William Truran, a Cornish engineer then in Oklahoma, found the mines in such poor condition that he advised curtailing all further expenditures. Truran estimated that an outlay of £20,000 would be necessary to re-open the property; prospects, he believed, did not warrant such an investment.[56] As a result, shareholders grumblingly met to vote liquidation in June of 1914. The final meeting did not come until February, 1916, however, at which

[52] Montana Mining Company, Ltd., Report of the 30th Ordinary General Meeting of Oct. 4, 1911, at Exchange Chambers, St. Mary Axe, reprinted from the *Mining World*, Oct. 7, 1911.

[53] Montana Mining Company, Ltd., *Directors' Report*, Aug. 1, 1912, to Sept. 30, 1913.

[54] Montana Mining Company, Ltd., Report of the Extraordinary General Meeting at Merchants' Hall, March 18, 1913, reprinted from the *Mining World*, March 22, 1913.

[55] *Ibid.*

[56] Montana Mining Company, Ltd., *Circular to Shareholders*, May 25, 1914.

time all books and documents were turned over to the liquidator for destruction.[57]

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And so the corporate existence of the Montana Company ceased. During its official life span of thirty-three years the company had experienced most of the vicissitudes of other Anglo-American mining concerns in the West. Its promotion had followed closely the techniques and devices geared especially to the British capital market. Once in operation, it had suffered the normal trials and tribulations attending ownership and management across an ocean and two-thirds of a continent, but after the early years, its supervision in Montana was as good as might reasonably be expected. Like most of its counterparts, it fell prey to legal entanglements which in the end drained it of its vitality and its resources. Undoubtedly the company was a representative one so far as the nature of its shareholders was concerned. Its roster of some 3,000 separate investors contained a fair cross section of Englishmen and Englishwomen willing to gamble on a mining venture. Shareholders ranged from a handful of the elite like Lord Castletown or Admiral of the Fleet John Edward Commerell to important business people like the great thread and textile Coats family of Paisley on to a large number of middle-class trade or professional people – doctors, lawyers, clerks, and even six "Professors of Music" listed in 1894.[58]

On the other hand, despite similarities, the Montana Company was in some respects atypical of British concerns in the West. Its mines produced paying ores: it returned £630,000 in dividends to its shareholders.[59] Few Anglo-American firms were able to do as well. The De Lamar Mining Company, Ltd. in Idaho, the Richmond Consolidated Silver Mining Company, Ltd. in Nevada, and the great Arizona Copper Company, Ltd. in Arizona, were outstanding among the enterprises which paid well, but they, too, must be regarded as exceptions rather than the general rule.

Because of its early prosperity, the Montana Company was of importance for Montana. Its significance lay not merely in the fact that it directly contributed much-needed capital for mineral development and that it sustained the Marysville community for a

[57] *Special Resolution*: passed June 5; confirmed June 24, 1914; *Extraordinary Resolution*: passed February 24, 1916, both in Montana Mining Company, Ltd. C.R.O. 37766.

[58] Summary of Capital and Shares to March 14, 1884, Montana Company, Ltd., C.R.O. 17787; Summary of Capital and Shares to June 21, 1894, Montana Mining Company, Ltd., C.R.O. 37766.

[59] Montana Mining Company, Ltd., Report of the Extraordinary General Meeting at Merchants' Hall, March 18, 1913, reprinted from the *Mining World*, March 22, 1913.

number of years, but also because its success fostered the formation of other British joint-stock concerns to operate in the same region.[60] One somewhat overzealous English promoter even attempted to dispose of Arizona mines to London capitalists by quoting the impressive production statistics of the Drumlummon, which was at least 1,200 miles away.[61]

Like all other mining concerns – foreign and domestic, successful or unsuccessful – formed after the Civil War, the Montana Company assumes importance as part of an integral whole. It was a fragment of the great post-Appomattox movement that brought unprecedented exploitation of America's natural resources. Men and companies were made or broken in this extremely rapid surge to capture the metallic treasure of the Rockies or the Sierras, but in the end a mining frontier disappeared and an industry emerged. The Montana Company was one of the agents helping to bring about that transformation.

[60] Report of the Committee on Mines and Mining Interests of Aliens in the Territories, *Senate Report* No. 2690, 50th Cong., 2d Sess. (1888–1889), p. 16. One blatant example of an attempt to capitalize on the Montana Company's early reputation was the organization of the short-lived Anglo-Montana Mining Company, Ltd. of 1886. See Anglo-Montana Mining Company, Ltd., *Prospectus* (July, 1886).

[61] See Old Guard Mining Company, Ltd., *Prospectus* (May 14, 1887).

Like the financial mart from which it derives its name, OVER THE COUNTER is designed for the types of exchanges not handled elsewhere. This feature has its origin in a demand among readers of business history for a place to compare ideas, voice comments on published articles and reviews, and publish research essays. Contributions are invited. The Editor and Advisory Board reserve the right to decide whether, on the basis of general interest, pertinence, and merit, such contributions will be published. OVER THE COUNTER will appear as often as the volume of contributions may dictate.

CONFERENCE ON THE HISTORY OF AMERICAN BUSINESS

A Summary Report

ARTHUR M. JOHNSON

Assistant Professor of Business History at Harvard Graduate School of Business Administration

On November 8, 1958, a group of 80 persons interested in the history of business met at the Harvard Business School to discuss the range, content, and teaching of the subject. In calling this conference, the Harvard group acted in the belief that there is considerable scope for short conferences specifically oriented to the problems of the history of business and that this need cannot be wholly satisfied within the framework of existing learned societies. The enthusiastic response justified this belief and far exceeded initial expectations concerning the size of the meeting. The fact that the conference attracted people from as far West as Austin, Texas, as far South as New Orleans, and as far North as Toronto reflects the growing and widespread interest in the history of business. The fact that economists, economic historians, and sociologists, as well as business historians, took an active part

in the proceedings reflects the interdisciplinary nature of — and interest in — the history of business.

The term "history of business" as used in the title of the conference was deliberately chosen to indicate that the Harvard group wanted to encourage discussion of more than company histories. In the past, the attention of business historians was of necessity focused primarily on such histories, but the sponsors of the conference started from the assumption that this approach, while it has been and will continue to be important, is by no means the only one. Given the state of the art, it is in fact an unnecessarily limited approach. The invitations to the conference therefore called attention to Arthur Cole's article on the "Transcendental Aspects of Business" [1] and his suggestions for "A History of Business in the United States" [2] as starting points for discussion.

Professor Thomas Cochran, who followed Chairman Ralph Hidy in making the opening remarks, attempted to steer discussion into these broader channels by asking whether sufficient monographs now exist to provide data for a synthesis of business history in the United States. More specifically, he asked whether business history is institutional history, "with only the same relationships to economics that every other kind of institutional history that uses economics has to have." If these questions were answered in the affirmative, he pointed out, "Our interest in business history must be set in the whole pattern of the institutions of society, and business history will have all kinds of fringe areas. . . ."

From that point on, with the floor open to discussion, any previous appearances of unanimity on the scope and nature of business history disappeared. It is as difficult to provide an adequate synthesis of the varying points of view expressed by the discussants as it was for them to agree on an acceptable synthesis for business history. This report, therefore, will do no more than indicate the range of views and point up areas where there *seemed* to be substantial agreement. Since virtually all the members of the conference participated in the discussion, individuals will be mentioned only where they seem to express especially well a particular viewpoint or consensus.

As far as synthesis is concerned, there was a strong feeling that it is desirable and that it is possible to proceed, at least in some areas, using available books, monographs, and articles. Although much remains to be done on the histories of firms and in other specialized areas, Harold Williamson of Northwestern pointed out that this situation will always exist in greater or lesser degree and that it should not stand in the way of attempts to synthesize materials now at hand. In fact, such attempts might be especially useful in pinpointing areas where monographic work is more urgently needed than in others. In reply to fears expressed about the inadequacy of a single synthesis, it was noted that with numerous scholars in the field there is little likelihood that only one synthesis will be attempted. Fritz Redlich of Harvard emphasized the desirability of multiple syntheses. Furthermore, he stressed the fact that specificity need not suffer in such attempts, since synthesis is not synonymous with generalization.

[1] *Harvard Business Review*, Vol. XXXVI (Sept.-Oct., 1958), pp. 51-60.
[2] *The Business History Review*, Vol. XXXVI (Winter, 1958), pp. 451-455.

The next step in the discussion naturally raised the problem of what form a synthesis should take, which in turn raised the most basic question: What is business history? The answer to the latter question was given in many ways but most generally in terms of content and focus.

John Hutchins of Cornell took one polar position. As he put it, "I would like to see the focus of any general study of business on the evolution of business management and policy." In his opinion, the business historian should address himself to significant questions which interest teachers of business administration and business policy. He suggested that too few company histories answer significant questions about business policy and tactics, mechanisms for determining policy, systems of control, public relations, and the like. He also emphasized the importance of studying the "different styles of play" within an industry, noting that business historians sometimes wrongly assume that an industry is characterized by a single type of business policy. While Hutchins' approach was regarded as unduly limited by some of the participants, they may have overlooked his call for studying the problems of adjusting policy and the pattern of business organization to underlying economic conditions. Thus, even in the business administrator's view of business history there is room for consideration of external factors affecting business decisions.

William Miller was willing to go to the other extreme. He suggested that the history of business could be written in terms of external factors alone. Following this line, business would be viewed primarily in relation to such things as urban growth, politics, and population movements. It would be evaluated in terms of the creation and distribution of wealth, the growth of economic opportunities, and international economic relationships. There is obviously a wide range of possibilities open to business historians between the Hutchins and Miller positions, and there were advocates for many of them.

A middle position seemed most satisfactory to many of those present. In their view, business history should focus on the decision-making individual and the internal aspects of business. External factors should be considered to the extent that they affect business policies and decisions or as these policies significantly influence external developments — social, political, or economic. The attention given internal or external factors will depend on the questions for which answers are sought, and the questions may be those of a businessman, an economic historian, a general historian, and so on.

If business history should emphasize the decision-making individual and the business unit viewed in the context of the society in which each operates, certain corollaries follow. They were the subject of extended comment along the following lines. If primary emphasis is placed on external factors, then the changing image of the businessman, his influence on society, and his reactions to social pressures assume major importance. In assessing the businessman's role and motivation in this context, the sociologist can be of great help. The businessman's performance and significance may also be evaluated in relation to such phenomena as economic fluctuations, economic growth, and changing standards of living. Here, the economic historian and the economic theorist can be

of help. On the other hand, if the internal aspects of business are stressed, the businessman and the decision-making process may be studied in such terms as alternatives recognized or overlooked and the results flowing therefrom. The variations on these themes were extensive. Arthur Cole summed it all up when he said: "The kinds of variables you use to explain whatever problem you are interested in are dependent upon the nature of the problem that you are concerned with."

From the foregoing comments it seems obvious that the conferees were generally agreed that business history is a discipline distinct from economic history but that the two overlap. Again, as Abbott Payson Usher pointed out, it is a matter of focus and, to some extent, of the source materials used. Chairman Hidy added that one of the major distinctions between the two disciplines is the difference between emphasis on trend analysis and emphasis on the dynamics of decision-making.

Indeed, one of the most interesting and significant developments of the conference was the evidence that the economic theorist and the business historian are becoming increasingly aware of their interdependence. A. H. Conrad of Harvard was among the economists who made this point explicit. He noted that "one of the things that is wrong with economic history is that the decisions aren't identified. . . . That is why we are here, presumably, and I think that we ought at every point to look at the changing decisions and see the institutions in this light." He reported that a revolution in economic theory is under way and that theorists are "very busy putting business back into theory." Accordingly, he said, it is becoming increasingly important that economists and business historians be able to speak a common language and reinforce one another's attack on common problems rather than setting up barriers between the disciplines. Economic theory can provide aid in formulating hypotheses for the study of situations in the history of business; conversely the products of research in the wide range of problems which interest business historians can be used to provide empirical data and new insights of value to the economist.

Henrietta Larson, on behalf of the business historians, agreed that it is essential to work with the representatives of other disciplines. "We find," she said, "that we progress by that kind of supplementing of each other's work and providing each other with ideas and research material."

Regardless of the test, there seemed to be little danger of the conference endorsing any compartmentalization. "Don't Fence Me In," as Herbert Heaton noted, could have been adopted appropriately as the theme song of the conference.

Discussion of other questions raised at the conference was largely in terms of the varying definitions of what business history should embrace. For whom should business historians write? What should be the main pillars of a synthesis? What method of periodization should be followed in a history of American business? Additional problems and complications were discovered at every step. They included: the varying uses to which business history is put, the different levels at which the subject is taught, and the great range of types of enterprise, businessmen, business instruments, and institutions.

A number of discussants were especially interested in the problems

of teaching business history, which in turn have a direct bearing on the nature of a synthesis for the history of American business. Howard Bennett of Northwestern pointed out that there are three levels of approach. He suggested that the first two years of an undergraduate curriculum need "history for business" rather than a "history of business." During the last two undergraduate years, as he sees them, it is desirable "to focus more particularly on the history of the firm or the history of an industry, where materials are available." Finally, on the graduate level there is the need and the opportunity to probe these areas more deeply. August Bolino of St. Louis University outlined the problems of introducing business history on the first of these levels, and Ralph Traxler of Emory University discussed the teaching of the subject at the two upper levels. Henry C. Langer of Alfred University emphasized the importance of focusing attention on decision-making in specific cases. He pointed out that business history as a teaching device can be especially useful in illustrating principles of business administration. Accordingly he expressed a desire for more case studies.

Discussion of periodization for a history of American business again reflected the diverse needs and interests of the discussants. Thus, for William Miller, who wanted a synthesis to emphasize the problems of economic growth in an underdeveloped area, the logical starting point should be the sixteenth century. For John Hutchins and Herman Krooss, who are primarily interested in a functional or topical approach, "periods" should be subordinated to the need for showing evolutionary development. A. H. Conrad suggested that the organization of a history of business should parallel that for economic history, thus stressing their complementary aspects. Arthur Cole warned against the danger of selecting the "typical businessman" as the basis for periodization, while Fritz Redlich emphasized the importance of using the businessman rather than the organization as the starting point of investigation. Donald Kemmerer of the University of Illinois suggested that the latter approach could be fruitfully applied to the study of the increasingly sophisticated answers given to the problems of management in a variety of types of industries.

Alfred D. Chandler, Jr., of M.I.T. offered the most specific scheme of periodization. The first period, roughly 1776–1850, would cover "Business in an Agrarian Nation." For him, 1850 is a convenient "breaking point," marking the beginning of the transition to an industrial society. The next period would extend down to 1900, by which time the pattern of many major industries was fixed. Here, the focus would be on "Business in an Industrializing Nation." From the turn of the century to the present, the emphasis would be on "Business in an Industrial Nation," with major consideration of technological development (applied science) in terms of its impact on business. In this scheme each period would be subdivided to give adequate attention to both internal and external factors in business development.

It was obvious that no single synthesis or scheme of periodization could please everybody in every respect, and at times it looked as though none of the proposals could please anybody in any respect. But, as far as the writing of business history is concerned, the resolution of these

difficulties was suggested by Barry Supple. "It so happens," he said, "that from the point of view of methodology and end-product, you will be aiming your work in certain directions. . . . [which] will depend primarily on the problems you set for yourself at the beginning." It logically follows that teachers of business history at different levels of instruction are not going to get one work or synthesis that meets all their particular requirements. Needless to say, this conclusion belabors the obvious, but the discussion of synthesis and periodization in terms of teaching needs showed the wide range of uses to which business history is being put and emphasized again the possibilities for many different sorts of synthesis.

The place of biography in the history of business stimulated some interesting discussion. With the heavy stress placed by discussants on the importance of the decision-making businessman, the need for more adequate biographical studies became apparent. W. M. Kilbourn of McMaster University entered a plea for business histories and biographies that can be regarded as "works of art." Thus, a biography should not only serve as a check on an enterprise and its economic setting but should also be a penetrating study of more than the mechanics of decision-making. Wayne G. Broehl of Dartmouth echoed this appeal for studying the businessman "as a total individual," and he also suggested that one theme of business biography might be "the degree of provinciality of the businessman." Arthur P. Dudden of Bryn Mawr deplored any attempt to write biography as a case study in decision-making. Such an approach would, he said, result in a "biography that nobody would want to read." He expressed the hope, therefore, that business biography would "score a point in adding to our knowledge about human behavior, and in addition . . . serve as a basis for business history." Dissent, such as it was, again reflected the different weights given to the relative importance of internal versus external factors in writing business history. The verdict was much the same: We need more biographies answering as many questions as possible. The extent to which this goal can be achieved and the appropriate content depend on the availability of materials and the nature of the author's primary interest.

To sum up, the conference, while it was characterized by a wide diversity of opinion, seems to have fulfilled a useful purpose. First, the number of participants and their enthusiasm gave new evidence of the vitality of business history. Secondly, the conference provided representatives of different disciplines with an opportunity to compare notes and to suggest mutually beneficial approaches to business history. Perhaps the ideas expressed were not new to some of those present, but others certainly heard ideas new to them and all could not but be impressed with the number of possible hypotheses and tools that can be used. Thirdly, the range of problems raised and the variety of suggestions concerning them was both stimulating and challenging. Fourthly, despite vigorous disagreement on many specific points, there was an encouraging undercurrent of agreement on certain major points. They included agreement that: Business history has a standing as a discipline separate from economic history, it is more comprehensive than company history, and its distinctive and essential feature is its emphasis on the

businessman and his decisions. Finally, and most importantly from the vantage point of business historians, there was general agreement that the time has come to attempt one or more syntheses in this field. Such syntheses should stress the dynamic aspects of business and not neglect their relation to society and the economy as a whole.

If the conference failed to produce a blueprint for a history of American business, it at least brought to the surface some of the pertinent questions that must be answered and a host of problems that must be surmounted. Despite the sharply varying viewpoints expressed during the day, the conference ended on the same note of good feeling with which it began. The results of much good talk, while inconclusive, suggested the benefits as well as the drawbacks of a group attack on a common problem. At a minimum, it is to be hoped that each conferee returned to his study with renewed enthusiasm to demonstrate that his is really the most rewarding approach to business history.

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EDITOR'S NOTE: *Other thoughts about the writing and teaching of business history are embodied in the following three selections by active participants in the field. The editor invites comments, critical or otherwise, in the hope that they will throw additional light on the problems of business history teaching and writing.*

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AN APPROACH TO THE TEACHING AND WRITING OF AMERICAN BUSINESS HISTORY

STUART BRUCHEY

Assistant Professor of Business History at Northwestern University

Few would disagree that a major difficulty exists in endeavoring to decide just where economic history leaves off and business history begins. This seems to me a practical problem rather than an abstract one. As such it may yield to an approach in terms of emphasis, rather than in terms of finely spun distinctions. It would appear to me unrewarding to attempt to separate the two areas by a rigid line. Whether one writes or teaches in either area he finds unavoidable some penetration into the other. Business history would be narrated in a meaningless vacuum were it to omit the externals of economic and other environments in which businessmen necessarily plan and produce. On the other hand, were those externals alone to be described, the offering might consist of a lifeless institutional history of developments affecting land, labor, and capital. The practical approach in terms of emphasis is a selective one, and the selector is the businessman, or organizer of the externals. The externals enter business history only to the degree that they serve as selected bases for business decisions. Otherwise they are environmental givens which the businessman does not consider either because of ignorance or his inability to control them.

It seems to me an exciting hypothesis that the data which businessmen take into account in their planning have increased in both number and complexity over time. To reveal this, and to exhibit the dimensions and

directions of change, would seem a proper emphasis of business history. In the earlier colonial period, businessmen appear to have been relatively helpless in the face of uncertainties of wind and weather, but mainly of price, whose violent fluctuation was apparently a function of extraordinarily limited supply and demand. The arrival of a single cargo in the small markets of the West Indies, for example, depressed prices suddenly and often turned the ventures of successor ships into ruin. The control of businessmen over their environment significantly increased in the later colonial period when widening markets made it possible for resident merchants to receive price and market information from resident agents in the West Indies. Agents, together with the information they provided, represent significantly new data affecting the content of business plans.

The difference between the amount and complexity of the data affecting plans of 1800 and those of 1950 is extraordinary. To resort to commerce again for the earlier picture, it would be true to say, I think, that merchants in the early national period were interested in price changes in home and foreign markets, in movements of business competitors, and in political changes affecting trade. Then, with the opening of the Western hinterland, new factors of supply and demand affected price calculations entering the plans of urban merchants in foreign trade. Even so, markets at home were still local and at best regional, which contrasts sharply with contemporary firms buying and selling in national and world markets. Today's businessman, unlike the contemporary of Jefferson, must base long-range plans on estimates of national population trends, the drift of the GNP, and a host of other data from economic and other environments, including the effect of foreign aid on the growth of underdeveloped foreign markets.

What has happened, I think we can say, is this: the history of business shows increasing parts of the economic world, and not that world alone, of course, entering as elements of business plans. This is why I suggested at the outset that the problem is not one of sharp distinctions, but one of emphasis. We are not faced with a choice between talking, on the one hand, in terms of the firm or the businessman — with his internal concern with accounting aids as a basis for domestic order, knowledge of liquidity and similar considerations — and, on the other hand, an external world of land, labor, and capital. We introduce elements of the latter as they become relevant in the progress of business growth, and place the emphasis upon the businessman's use of them.

It should be possible to pursue this approach in each of the main areas of economic life and in each of the major chronological periods into which we decide to divide American economic growth. One problem would be to find the "typical" or representative businessman (or firm) in each of these areas and periods. It is practically always impossible to demonstrate typicalness in any statistically satisfying sense, however, and this problem worries me less than that of the paucity of monographs in some areas and periods. Even this can be got around, however. One can reconstruct, as Professor Steigerwalt did from Caroline Ware's industry study, a workable image of a firm's problems in early textile manufacturing. Similarly, one might make use of "industry" studies in other fields, especially that of commercial agriculture, in the absence of monographs on particular

businesses. Where available, monographs could serve as texts or exemplars in areas of domestic and foreign trade, various branches of manufacturing, mining, banking, and any others desired.

What I have outlined is *an approach* to the teaching and writing of American business history. Decisions on specific organization and content would have to follow, and these would rest on judgments concerning main dividing lines. As far as chronology is concerned, one possibility is the following:

(1) the colonial period to about 1750.
(2) 1750–1815: increasing use of resident agents in foreign trade.
(3) 1815–1850: the beginnings of industrialization; the Jacksonian attack on monopoly capitalism.
(4) 1850–1900: flowering of industrialization in a nationalizing market to the advent of big business.
(5) 1900–1929: to beginnings of stringent governmental controls.
(6) 1929–1946: to the assumption by government of responsibility for maximum employment and/or (!) economic stability.

But there are many possibilities of course.

In sum, business history might be likened to a wheel of changing circumference, whose hub is the businessman. The wheel is a small one, and its spokes, radiating to data of the economic world, are relatively few in the colonial period. Thereafter its expansion is remarkable.

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BUSINESS HISTORY IN SCHOOLS OF BUSINESS ADMINISTRATION

A. K. STEIGERWALT

Associate Professor of Business History at University of Michigan

The relatively recent boom in business history as a valid field of study for students in schools of business administration has presented those of us who toil in the vineyards with some problems of policy which may well determine the duration of this boom. My major concern here is with courses in business history and their relation to the curriculum of a professional school of business administration.

It is exceedingly difficult to define business history, for there are only certain aspects of such a definition upon which the majority of practitioners would agree. Thus, the definition which follows will be the one that has guided me in determining the nature of my courses in business history. Business history is the application of the historical method to the study of the development and role of the business firm in American society, with the emphasis upon policy-making, management, and control. The emphasis upon policy factors is required to give meaning and focus to the historical study of the firm, even in cases where policy must be inferred from behavior, otherwise the impact of such study is vitiated by a mass of antiquarian facts which have little meaning to anyone. Using

business policy as the device, it is possible carefully to develop the comparative viewpoint in students, particularly where policy is related not only to internal but also to external forces or factors affecting the destiny of the firm. Obviously, my definition does not spell out the relation of business history to marketing, finance, accounting, economics, economic history, political and social and intellectual history, social psychology, and/or philosophy. However, it is related to all of these fields, draws upon them in a pragmatic sort of way, but refuses to be limited in advance as to the extent of such reliance. The effectiveness of implementing such an approach to business history obviously is related to the orientation of the business school's curriculum and the academic level of the student body enrolled in the course. A full-blown, well-integrated course in business history such as this is not appropriate to freshmen or sophomores, but it does perhaps increase in appropriateness as they become juniors and seniors. It is my current conviction that such a course as I shall describe below is only appropriate to students who have already a bachelor's degree. The basic pattern of this course, however, could be identical where undergraduates and graduates are the market but can be enrolled in separate sections.

Looking at the vast panorama of American history from its beginnings to the present, one cannot help but be impressed by the vast changes which have occurred in every facet of American life. Whether such changes are of degree or kind is not here discussed but only noted. On the basis of such change, patterns of difference are apparent and dictate an appropriate periodization of American history to serve the need of the business historian. To my view, four periods are appropriate: 1607–1789; 1789–1873; 1873–1933; and 1933–Present. However, to neglect the European background of American business history is to neglect a rich heritage, hence some attention is directed to this Anglo-Saxon and European heritage. Even at this stage there is something lacking because the business policy approach does not supply the period-to-period continuity desired. For this purpose I have utilized the Schumpeterian theory of economic development. The social, political, intellectual, natural, and innovational factors which are responsible for economic development are constantly utilized as the theoretical framework for the course.

With the assistance of cases dealing with particular firms (The Virginia Co. of London; Thomas and John Hancock, Colonial Merchants; Almy, Brown and Slater and the Boston Manufacturing Co., Contrasting Studies in Industrialization; The Second Bank of the United States, Central Banking in a Sectional Economy; J. Pierpont Morgan, Investment Banking and Big Business; The Ford Motor Company, A Study in Success and Failure; The National Recovery Administration, A Study in the Nature of Government Planning; and King-Seeley Corporation, The Modern Corporation in Embryo), bulwarked by substantial background reading, I focus on explicit or implicit business policy, and relate such policy to the historical environment and the theoretical framework of economic development.

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BLENDING BUSINESS HISTORY AND ECONOMIC HISTORY

CHARLES J. KENNEDY

Professor of Economics at University of Nebraska

Business history has developed as a separate interdisciplinary field with a significant overlap from economic history. Since much of the teaching of the subject and a large amount of the writing are performed by historians attached to departments or colleges of business where the atmosphere frequently is one of specialization, I do not expect that business history and economic history will generally become merged, although, in my opinion, such a union would be desirable. It does appear, however, that the amount of overlapping will increase. The evidence is all about us. That is to be expected as books and courses are prepared for a variety of readers and students who do not know much about economic development. Since businessmen and business units operate in a complex environment, it is natural to expect the scholar who understands the total situation to explain it to his reader. Instances where courses employ duplicate material with a different focus frequently occur in departments or colleges of business and of economics. There is little reason to expect business history to be an exception.

Is it feasible to offer a combined economic and business history course and thus eliminate duplication? From my experience I have found that this can be done even on the freshman level. Although only elementary material pertaining to the administration of business can be grasped by most freshman students, the same limitation is true in respect to economic history, except, of course, for descriptive material. As more syntheses of business history are written they can be recast for freshmen. For a general approach, I favor as the main theme the role of the businessman in the development of capitalism. In explaining how and why the businessman and the commercial farmer and rancher have acted as they have in contributing to the remarkable increase in the level of living in this country, many other aspects of both economic and business history will necessarily be introduced. Thus, most of the chief features of economic and business history can be woven together. As in freshman history courses generally, only a few students will do much "discovering." Nevertheless, interest in such an approach among new students in economics and business is high and much can be accomplished.

It is expedient for me to offer separate courses in American economic history and business history for seniors because a combination would work, in my opinion, only if each student enrolled for two semesters of four hours each. That is more than we can expect in our local situation. Such a combination probably would be acceptable to any historian who has taught in both fields, since it is obvious that a merger of the two disciplines would be more nearly the way history happened than is our artificial departmentalization of knowledge. Seniors in a college of business administration are equipped to handle most of the material available on American economic and business history, and a one-year combined course would

be a fitting climax to a bachelor's degree. The problem is to sell the idea to a course of study committee.

Whereas separate college courses may be influenced by expediency, what is there to prevent the scholar from ignoring the division in his writing? The lack of training may deter some authors, but something more fundamental undoubtedly will influence most of us who favor both economic and business history in the same monograph. When one delves into the internal history of a large company or the histories of several dozen firms in the same industry, where can he find the time (and the financial backing) to write both business administration and economic histories of those companies? The tendency probably will continue for business historians to weave in only occasional paragraphs of generalized economic history when writing such monographs, even though they may have a deeper insight into the economic development related to their companies than other historians who have published on the subject. Yet, here, it seems to me, is a real and worthwhile challenge — a combined study of the business and economic history of multiple companies in an industry.

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A CORRECTION AND AMPLIFICATION

Professor Sidney Fine has brought to the editor's attention a last-minute change that was made in his article "Ford and the N.R.A." (BHR, Winter 1958 issue) after the corrected galley proof of the manuscript had left his hands. While the change appeared at the time to be of a perfunctory editorial nature, Professor Fine points out that it actually had the effect of altering his meaning. Since the point is an important and interesting one, not only correction but also amplification is in order.

The pertinent paragraph appears on page 355 and reads in published form as follows, the sentence in question being here underlined:

> It must, however, be noted that the N.I.R.A. made possible alternative lines of action and that the powers it granted were not all used. The National Recovery Administration, as it turned out, relied entirely on the initiative of trade and industrial associations in the formulation of codes, and the drastic licensing clause was never invoked. <u>The codes, to be sure, included many provisions which were objectionable to believers in a competitive economy, but, generally speaking, these were provisions that the trade associations themselves wished to have included in lieu of more objectionable practices proposed by the N.R.A.</u>

The original draft of Professor Fine's sentence read as follows:

> <u>The codes, to be sure, included many provisions which were objectionable to believers in a competitive economy, but, generally speaking, these were provisions that the trade associations themselves wished to have included in their codes rather than practices imposed upon them by the N.R.A.</u>

The difference in the two versions arose out of an editorial misinterpretation of the ambiguous word "rather" in the original version, which was assumed to be synonymous with "in preference to." Actually, Pro-

fessor Fine meant it in the sense of "and not." He goes on to amplify the point, in a subsequent letter to the editor, in these words:

> At the time the N.R.A. was put into effect, it was the business community, with some conspicuous exceptions, that insisted that the codes must sanction price-fixing and, in some instances, restraints on production as well. It is simply not true — and no one to my knowledge has contended otherwise — that businessmen placed provisions of this sort in their codes because they feared the N.R.A. would otherwise force them to accept still more drastic restraints on competition. As Ralph Flanders stated: "Our legislators and administrators cannot be blamed for them [code provisions restraining competition]. It was our businessmen who were most thoroughly sold on the idea that recovery and prosperity depended on the restraint of competition."

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NEW HISTORY JOURNAL

A new scholarly journal, *Labor History*, is being planned for publication in late 1959 or 1960. The following are members of the editorial board: Richard B. Morris, Chairman; Daniel Bell; Walter Galenson; John Hall; Maurice Neufeld; Brendan Sexton; and Philip Taft.

Labor History will publish articles in the following fields: original research in labor history; studies of specific unions and of the impact of labor problems upon ethnic and minority groups; broad interpretive articles on the theory of labor history; biographical memoirs and studies of important trade union figures; studies of foreign labor movements which shed light on American labor development; and studies of radical groups or radical history related to labor history.

Labor History which will appear three times a year, is being published under a grant from The Tamiment Institute and in cooperation with the Society of Labor Historians. Contributions are welcome and should be addressed to Dr. Norman Jacobs, editorial director, c/o The Tamiment Institute, 7 East 15th Street, New York 3, New York.

Studies In Enterprise, 1958

A Selected Bibliography of American and Canadian Company Histories and Biographies of Businessmen *

by Lorna M. Daniells
REFERENCE LIBRARIAN
AT HARVARD GRADUATE SCHOOL OF
BUSINESS ADMINISTRATION

This is a Supplement to *Studies in Enterprise,* published in Boston, Baker Library, Harvard University Graduate School of Business Administration, 1957 (169 pp., $4.50). It lists the most significant books and pamphlets published since the Spring of 1957. It also includes a few earlier books that had previously escaped the compiler's attention, as well as a selection of articles that appeared in historical journals and a few general consumer and trade publications during the year 1958.

The criteria for including books and pamphlets were the same as those adopted in the 1957 edition:

1. Histories of individuals and institutions that have been in business in the hope of making a profit.
2. Publications having a minimum of twenty pages of text.
3. Over-all histories of companies rather than accounts relating only to one phase of activities or to one period of growth.

These criteria were necessarily loosened somewhat in selecting articles for inclusion. There are a greater number of articles in the present list

* This study was conceived and is being carried on under the auspices of Baker Library, Harvard Graduate School of Business Administration, which has generously extended publication privileges to the *Business History Review.*

than were included in the 1957 publication that it supplements. Articles that appeared to have potential historical value have been included even though they dealt with only one function or period in the history of a company, or emphasized relatively recent events. Practically all American trade journals were surveyed and a great many short descriptive and biographical items were considered and excluded because of the relatively small historical content. Magazines where these items regularly appear are listed at the end of this article. We earnestly solicit your remarks as to the usefulness of this compilation and the desirability of a more comprehensive listing in future editions.

The present listing of books and articles is alphabetical by the subject of each study, with companies and individuals, American and Canadian, books and articles all in one list. A few descriptive notes have been added to give a better understanding of the coverage of a particular work. When these notes appear after the name of a company or person, or as bracketed statements within the citation, they are meant to identify further the specific nature of the business or occupation. Cross references are used for only a few of the books.

At the end of this bibliography is a short list of recent collective histories and also several current articles on writing business history.

* * *

Ahmanson, Howard F. (owner of a savings-and-loan business)

Freedgood, Seymour. "Emperor Howard Ahmanson of S & L," *Fortune*, Vol. LVII, No. 5 (May 1958) pp. 148–151.

Alaska Golden Gate Mining Company

Lokken, Roy N. "Stock Companies at the Placer Mines; the Alaska Golden Gate Mining Company," *Pacific Northwest Quarterly*, Vol. 49, No. 3 (July 1958) pp. 89–98.

The story of an early 20th-century Alaskan gold rush company that failed.

Alden's, Inc.

Decker, Bernice S. [Alden's, Inc.] *Christian Science Monitor*, Vol. 50, No. 68 (February 14, 1958) p. 16.

This is the last of 10 articles on the mail-order industry.

Alford, Leon Pratt (engineer)

Jaffe, William J. *L. P. Alford and the Evolution of Modern Industrial Management*. N. Y., New York University Press, 1957. 366 pp.

This is a study of Alford's work rather than a personal biography, and it is based on the author's doctoral dissertation entitled "Alfordian Analyses, Principles and Laws" (New York University, 1953). – Cf. Preface.

American Hardware Corporation

Parker, Evan J. [American Hardware Corporation] 2 parts. *Christian Science Monitor*, Vol. 50, No. 209 (August 1, 1958) p. 10; No. 210 (August 2) p. 14.

American Home Products Corporation (drugs, foods and household items)

"Alvin Brush's Specialty House," *Fortune*, Vol. LVII, No. 4 (April 1958) pp. 141–145 +.

American Liability Insurance Company

Hodges, Charles E. *The First American Liability Insurance Company; Pioneer in Loss Prevention Since 1887*. N.Y., Newcomen Society in North America, 1957. 24 pp.

American Pulley Company

Robins, James H. *Collectivism and Individualism in Power Transmission. American Pulley*. N.Y., Newcomen Society in North America, 1957. 36 pp.

American Telephone & Telegraph Company

KAPPEL, FREDERICK R. [The American Telephone & Telegraph Company] 6 parts. *Christian Science Monitor*, Vol. 50, No. 46 (January 20, 1958) p. 12; No. 47 (January 21) p. 12; No. 48 (January 22) p. 11; No. 49 (January 23) p. 12; No. 50 (January 24) p. 14; No. 51 (January 25) p. 12.

Anglo American Exploration, Ltd. (petroleum)

NICKLE, CARL C. *A Man* [Samuel C. Nickle], *a Company, and an Industry in Western Canada! Anglo American Exploration, Ltd.* N.Y., Newcomen Society in North America, 1956. 24 pp.

Appleton Coated Paper Company

APPLETON COATED PAPER COMPANY. *Fifty Colorful Years, 1907–1957.* By Vernon W. Roelofs. Appleton, Wis., The Company, 1957. 48 pp.

Augusta Manufacturing Company (cotton textiles)

GRIFFIN, RICHARD W. "The Augusta (Georgia) Manufacturing Company in Peace, War, and Reconstruction, 1847–1877," *Business History Review*, Vol. XXXII, No. 1 (Spring 1958) pp. 60–73.

Automobile Mutual Insurance Company of America

AUTOMOBILE MUTUAL INSURANCE COMPANY OF AMERICA. *Pathway of Progress, 1907–1957; the Record of a Half-Century of Achievement.* Automobile Mutual Insurance Company of America [and] Factory Liability Insurance Company of America. [Providence, R.I.] 1957. 81 pp.
History appears only on pp. 15–43.

Baker Manufacturing Company (water systems, pumps, windmills, etc.)

KUBLY, HAROLD E. "History of Baker Manufacturing Company," *Profit Sharing at Baker Manufacturing Company, Evansville, Wisconsin, 1899–1958.* Madison, 1958, pp. 15–25. (Wisconsin University. Bureau of Business Research and Service. Wisconsin Commerce Reports, Vol. 5, No. 2.)

Ball, Frank C. (container manufacturer)

BALL, FRANK C. *Memoirs of Frank Clayton Ball.* Muncie, Ind., Priv. Print., 1937. 294 pp.

Bank of Italy

POSNER, RUSSELL M. "The Bank of Italy and the 1926 Campaign in California," *California Historical Society Quarterly*, Vol. XXXVII, No. 3 (September 1958) pp. 267–275; No. 4 (December 1958) pp. 347–358.

Barchoff, Herbert

REYNOLDS, QUENTIN, AND WILFRID S. ROWE. "Getting Things Done; Herbert Barchoff of Eastern Rolling Mills" [copper and brass], *Operation Success.* N.Y., Duell, Sloan and Pearce, 1957, pp. 107–115.

Bartell, Gerald A. (president of a group of independent radio stations)

FREEDGOOD, SEYMOUR. "The Money-Makers of 'New Radio'," *Fortune*, Vol. LVII, No. 2 (February 1958) pp. 122–124 +.

Baruch, Bernard M. (financier and statesman)

BARUCH, BERNARD M. *Baruch: My Own Story.* N.Y., Holt, 1957. 337 pp.
The first of a two-volume autobiography.

COIT, MARGARET L. *Mr. Baruch.* Boston, Houghton, Mifflin, 1957. 784 pp.

Bath Iron Works

ESKEW, GARNETT L. *Cradle of Ships.* N.Y., Putnam, 1958. 279 pp.
The story of ships and the town of Bath

as well as a history of this shipbuilding firm.

Baum, Martin (exporter, importer, banker, etc.)

VITZ, CARL. "Martin Baum, Pioneer Cincinnati Entrepreneur," *Bulletin*, Historical and Philosophical Society of Ohio, Vol. XVI, No. 3 (July 1958) pp. 215–239.

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BLYTHE, LEGETTE. *William Henry Belk: Merchant of the South*. [Enlarged ed.] Chapel Hill, University of North Carolina Press, 1958. 269 pp.

This biography of the founder of a chain of dry goods stores was originally published in 1950.

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DOWDEY, CLIFFORD. *The Great Plantation; a Profile of Berkeley Hundred and Plantation Virginia From Jamestown to Appomattox*. N.Y., Rinehart, 1957. 320 pp.

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Birch, James E.

GALUCCI, MARY M., AND ALFRED D. GALUCCI. *James E. Birch*. Sacramento, Calif., Sacramento Historical Society, 1958. 37 pp.

An account of Birch and his stage route, written in celebration of the Overland Mail Centennial.

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SNYDER, W. C., JR. *Blaw-Knox Growth Through Invention and Enterprise*. N.Y., Newcomen Society in North America, 1957. 28 pp.

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PIERCE, MARION D. [The Boston Filter Company — Rental and Sale of Water Coolers, Air Conditioners and Air Filters] 2 parts. *Christian Science Monitor*, Vol. 50, No. 106 (April 1, 1958) p. 11; No. 107 (April 2) p. 12.

Boston Fund, Inc. (investment trust)

VANCE, HENRY T. [The Boston Fund] 3 parts. *Christian Science Monitor*, Vol. 50, No. 142 (May 13, 1958) p. 12; No. 143 (May 14) p. 13; No. 144 (May 15) p. 16.

Boston Manufacturing Company (cotton)

MAILLOUX, KENNETH F. "The Boston Manufacturing Company of Waltham, Massachusetts, 1813–1848: the First Modern Factory in America." Ph.D. Thesis, Boston University, 1957. 239 pp. (University Microfilms, Ann Arbor. Publication, No. 21,740.)

Box Cards, Inc.

HYAMS, JOE. "Greeting Cards with no Inhibitions," *Saturday Evening Post*, Vol. 231, No. 17 (October 25, 1958) pp. 24–25 +.

Boyd, Mossom

WURTELE, D. J. "Mossom Boyd: Lumber King of the Trent Valley," *On-*

tario History, Vol. L, No. 4 (Autumn 1958) pp. 177–189.

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STEINKRAUS, HERMAN W. [Bridgeport Brass Company] 5 parts. *Christian Science Monitor*, Vol. 50, No. 258 (September 29, 1958) p. 12; No. 259 (September 30) p. 12; No. 260 (October 1) p. 13; No. 261 (October 2) p. 16; No. 262 (October 3) p. 10.

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MAIDEN, CECIL. *Lighted Journey; the Story of the B. C. Electric.* [Vancouver, The Company, 1948] 170 pp.

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FAIR, A. E. H. [Brown Company — New Hampshire Pulp and Paper Producer] 3 parts. *Christian Science Monitor*, Vol. 50, No. 189 (July 9, 1958) p. 11; No. 190 (July 10) p. 12; No. 191 (July 11) p. 12.

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HAZELTON, ROBERT M. *Let Freedom Ring! a Biography of Moses Brown.* N.Y., New Voices Publishing Company, 1957. 262 pp.

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WROTH, LAWRENCE C. *Abel Buell of Connecticut, Silversmith, Type Founder & Engraver.* [2d ed., rev.] Middletown, Conn., Wesleyan University Press, 1958. 102 pp.
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HENDRICK, KIMMIS. [Bullock's — a Los Angeles Department Store] 4 parts. *Christian Science Monitor*, Vol. 50, No. 250 (September 19, 1958) p. 10; No. 251 (September 20) p. 14; No. 252 (September 22) p. 12; No. 253 (September 23) p. 13.

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Carver, John

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CHENEY, MICHAEL S. *Big Oil Man From Arabia.* N.Y., Ballantine Books, 1958. 282 pp.
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CHUBB, THOMAS C. *If There Were no Losses; the Story of Chubb & Son From its Founding in 1882 Until 1957.* N.Y., The Company, 1957. 93 pp.

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CULLEN, WILLIAM J. P. *The Story of Church & Dwight Company.* [N.Y.] Priv. Print., 1957. 69 [3] pp.
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ARMS, RICHARD G. " 'The Fustest with the Mostest'," *Bulletin*, Historical and Philosophical Society of Ohio, Vol. XVI, No. 1 (January 1958) pp. 41–65.
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BROWN, BART A. "Citizens Fidelity Bank and Trust Company's Hundredth Anniversary; an Outline of its Origin and Growth," *Filson Club Historical Quarterly*, Vol. 32, No. 4 (October 1958) pp. 329–335.

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GARWOOD, ELLEN C. *Will Clayton; a Short Biography.* Austin, University of Texas, 1958. 164 pp.

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Coleman, Billie A. (Mrs.)

REYNOLDS, QUENTIN, AND WILFRID S. ROWE. "She Found Out for Herself; Mrs. B. A. Coleman of B. F. Gladding" [manufacturer of fishing lines], *Operation Success.* N.Y., Duell, Sloan and Pearce, 1957, pp. 35–43.

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Johnson, Howard D. (restaurateur)
ALEXANDER, JACK. "Host of the Highways," *Saturday Evening Post*, Vol. 231, No. 3 (July 19, 1958) pp. 16–17 +.

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MacNeal, Robert E.

"Robert MacNeal of Curtis Publishing," *Printers' Ink*, Vol. 265, No. 4 [i.e. 5] (October 31, 1958) pp. 47–50; No. 6 (November 7) pp. 51–54; No. 7 (November 14) pp. 61–62 +.

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Magowan, Robert A. (retail food chain executive)

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Mathews, Larry

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CHAPMAN, RICHARD P. *One Hundred Twenty-Five Years on State Street; Merchants National of Boston (1831–1956)*. N.Y., Newcomen Society in North America, 1956. 24 pp.

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COULTER, E. MERTON. "Francis Meson, an Early Georgia Merchant and Philanthropist," *Georgia Historical Quarterly*, Vol. XLII, No. 1 (March 1958) pp. 26–43.

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CROWTHER, BOSLEY. *The Lion's Share; the Story of an Entertainment Empire*. N.Y., Dutton, 1957. 320 pp.

Milner, Robert Ernest Dumas (promoter and automobile dealer)

MURPHY, THOMAS P. "'Something New in the South'," *Fortune*, Vol. LVIII, No. 4 (October 1958) pp. 152–154 +.

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LEE, ROBERT C. *Mr. Moore, Mr. McCormack — and the Seven Seas!* N.Y., Newcomen Society in North America, 1957. 32 pp.

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Caldwell, Margaret E. "The Mudge Ranch," *Kansas Historical Quarterly*, Vol. XXIV, No. 3 (Autumn 1958) pp. 285–304.

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Mueller, Ralph S. *The Skipper of the Clipper; the Story of the Mueller Electric Company and its Founder; an Autobiography.* [Cleveland, O.] 1957. 244 pp.

Murphree, Joel Dyer

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Mutual Life Assurance Company of Canada

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Winther, Alice M. [Nalley's — Makers of Mayonnaise and Other Condiments] *Christian Science Monitor*, Vol. 50, No. 255 (September 25, 1958) p. 14; No. 256 (September 26) p. 14; No. 257 (September 27) p. 14.

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Northern Pacific Railroad. See entry for **Jay Cooke.**

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HANLEY, ANN. "Andrew Onderdonk, Master Builder," *Pacific Northwest Quarterly*, Vol. 49, No. 4 (October 1958) pp. 146–149.

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MARTIN, S. WALTER. "Henry Bradley Plant," Horace Montgomery, *Georgians in Profile*. Athens, University of Georgia Press, 1958, pp. 261–276.

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WAGNER, HENRY R. *Peter Pond, Fur-Trader & Explorer.* New Haven, Yale University Library, 1955. 103 pp. (Yale University Library. Western Historical Series, No. 2.)

Post, Charles W. See entry for **John H. and Will K. Kellogg.**

Potter, Justin

HARRIS, WILLIAM B. "Jet Potter Tries for a Third Fortune," *Fortune*, Vol. LVIII, No. 5 (November 1958) pp. 158–160 +.

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MCNALLY, ANDREW, III. *The World of Rand McNally.* N.Y., Newcomen Society in North America, 1956. 28 pp.

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FREEMAN, HARRY B. [Rhode Island Hospital Trust Company] 2 parts. *Christian Science Monitor*, Vol. 50, No. 228 (August 23, 1958) p. 14; No. 229 (August 25) p. 12.

Richards, James Lorin (gas company executive)

CLONEY, WILLIAM T., JR. *James Lorin Richards; the Story of a New England Industrialist.* Boston [1948] 125 pp.

Richman Brothers

RICHMAN, GEORGE H. [Richman Brothers — Clothing Manufacturer and Retailer] 3 parts. *Christian Science Monitor*, Vol. 51, No. 21 (December 19, 1958) p. 14; No. 22 (December 20) p. 12; No. 23 (December 22) p. 10.

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Rojtman, Marc B. (farm equipment manufacturer)

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Romney, George W. (president of American Motors Corp.)

Baum, Arthur W. "The Man Who Surprised Detroit," *Saturday Evening Post*, Vol. 231, No. 25 (December 20, 1958) p. 14 +.

Royal Bank of Canada

Dobson, Sydney G. *The Royal Bank of Canada, 1864–1945*. Montreal, 1953. 100 pp.

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Sage, Henry W. (lumberman)

Goodstein, Anita Shafer. "Henry Williams Sage, 1814–1897; Biography of a Businessman." Ph.D. Thesis, Cornell University, 1958. 452 pp. (University Microfilms, Ann Arbor. Publication.)

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St. Louis Southwestern Railway Company. *88 Years of Transportation Progress; a History* . . . [Tyler, Texas, 1957] 98 pp.

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Nation, Warren B. "Schwegmann Brothers; a Study of Supermarket Growth and its Economic Significance." Ph.D. Thesis, University of Alabama, 1957.

Sears, Roebuck & Company

Decker, Bernice S. [Sears, Roebuck & Company] 4 parts. *Christian Science Monitor*, Vol. 50, No. 60 (February 5, 1958) p. 15; No. 61 (February 6) p. 14; No. 62 (February 7) p. 14; No. 63 (February 8) p. 14.

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Second National Bank of Boston

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Seiden, Irving

Lang, Daniel. "Urgent! Rush!" *New Yorker*, Vol. XXXIV, No. 20 (July 5, 1958) pp. 29–30 +.

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Cleland, Robert G. *The Place Called Sespe; the History of a California Ranch*. San Marino, Calif., Huntington Library, 1957. 120 pp. (Huntington Library Publications.)

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Shanley, Walter. *Daylight Through the Mountain; Letters and Labours of Civil Engineers Walter and Francis Shanley*. Ed. by Frank N. Walker; Research by Gladys C. Walker. Montreal, Engineering Institute of Canada, 1957. 142 pp.

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Reynolds, A. R. *The Daniel Shaw Lumber Company; a Case Study of the Wisconsin Lumbering Frontier*. N.Y., New York University Press,

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W. A. Sheaffer Pen Company

SHEAFFER, W. A., JR. [W. A. Sheaffer Pen Company] 5 parts. *Christian Science Monitor*, Vol. 50, No. 283 (October 28) p. 14; No. 284 (October 29) p. 13; No. 285 (October 30) p. 14; No. 286 (October 31) p. 12; No. 287 (November 1) p. 16.

Silberstein, Leopold D. (German-American financier)

REYNOLDS, QUENTIN, AND WILFRID S. ROWE. "Bold Conservative; Leopold D. Silberstein of Penn-Texas [Corporation]," *Operation Success*. N.Y., Duell, Sloan and Pearce, 1957, pp. 13–34.

Sinclair Oil Corporation

SPENCER, PERCY C. *Oil — and Independence! The Story of Sinclair Oil Corporation*. N.Y., Newcomen Society in North America, 1958. 28 pp.

Singer, Isaac

LYON, PETER. "Isaac Singer and his Wonderful Sewing Machine," *American Heritage*, Vol. IX, No. 6 (October 1958) pp. 34–39 +.

Slater, Samuel (cotton textile manufacturer)

WELLES, ARNOLD. "Father of our Factory System," *American Heritage*, Vol. IX, No. 3 (April 1958) pp. 34–39 +.

Smith, Cyrus R.

"Jets Across the U. S." [American Airlines' C. R. Smith] *Time*, Vol. LXXII, No. 20 (November 17, 1958) pp. 82–89 +.

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PIERCE, ALFRED E. "The R. A. Smith Milling Company, 1889–1955; a Case Study of the Entrepreneur and a Small Family Business." Ph.D. Thesis, Syracuse University, 1956. 250 pp. (University Microfilms, Ann Arbor. Publication, No. 18,-035.)

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Socony-Mobil Oil Company

BARTLETT, FRED W. [Socony-Mobil Oil Company] 6 parts. *Christian Science Monitor*, Vol. 50, No. 229 (August 25, 1958) p. 12; No. 230 (August 26) p. 12; No. 231 (August 27) p. 10; No. 232 (August 28) p. 14; No. 233 (August 29) p. 14; No. 234 (August 30) p. 14.

Sonnabend, Abraham M. (financier)

"An Empire Built on Leverage," *Business Week*, No. 1502 (June 14, 1958) pp. 81–82 +.

MURPHY, THOMAS P. "Sonnabend's Sackful," *Fortune*, Vol. LVIII, No. 3 (September 1958) pp. 132–135 +.

Southern Pacific Railroad

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"The text is a revision and expansion of . . . '175 Years of Progress' [by E. Heath, 1945]" – p. 2.

Spiegel, Inc.

DECKER, BERNICE S. [Spiegel, Inc.] *Christian Science Monitor*, Vol. 50, No. 67 (February 13, 1958) p. 14.

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Spound, Jack (furniture manufacturer)

REYNOLDS, QUENTIN, AND WILFRID S. ROWE. "One Jump Ahead — to Success; Jack Spound of the Charlton Company," *Operation Success*. N.Y., Duell, Sloan and Pearce, 1957, pp. 69–78.

Squibb, Edward R. (doctor, pharmacist and manufacturing chemist)

Blochman, Lawrence G. *Doctor Squibb; the Life and Times of a Rugged Idealist.* N.Y., Simon and Schuster, 1958. 371 pp.

Standard Oil Company (New Jersey)

The Lamp. *75th Anniversary of Jersey Standard.* N.Y., 1957. 80 pp.

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Rathbone, M. J. [Standard Oil of New Jersey] 5 parts. *Christian Science Monitor,* Vol. 50, No. 65 (February 11, 1958) p. 13; No. 66 (February 12) p. 12; No. 67 (February 13) p. 14; No. 68 (February 14) p. 16; No. 69 (February 15) p. 12.

Reed, Peter M. "Standard Oil in Indonesia, 1898–1928," *Business History Review,* Vol. XXXII, No. 3 (Autumn 1958) pp. 311–337.

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Spayd, Milferd A. *A Business Built on Holes; the Standard Register Company.* N.Y., Newcomen Society in North America, 1957. 32 pp.

Stewart, Alexander T.

Logan, Andy. "That Was New York," *New Yorker,* Vol. XXXIV, No. 1 (February 22, 1958) pp. 81–82 +.

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Stilwell, Arthur E.

Fletcher, David M. "Railroad Tycoon: Arthur E. Stilwell," *Rails, Mines, & Progress; Seven American Promoters in Mexico, 1867-1911.* Ithaca, Cornell University Press, 1958, pp. 260–295.

Stouffer Corporation

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Stover, Russell (candy manufacturer and retailer)

Stover, Clara (Phil A. Koury, collaborator). *The Life of Russell Stover; an American Success Story.* N.Y., Random House, 1957. 242 pp.

Swope, Gerard

Loth, David G. *Swope of G.E.; the Story of Gerard Swope and General Electric in American Business.* N.Y., Simon and Schuster, 1958. 309 pp.

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Texas and Pacific Railroad

Traxler, Ralph N., Jr. "The Texas and Pacific Railroad Land Grants; a Comparison of Land Grant Policies of the United States and Texas," *Southwestern Historical Quarterly,* Vol. LXI, No. 3 (January 1958) pp. 359–370.

Thiokol Chemical Corporation

Thompson, Edward T. "The Rocketing Fortunes of Thiokol," *Fortune,* Vol. LVII, No. 6 (June 1958) pp. 106–113 +.

Tishman Realty & Construction Company

Tishman, Norman. [Tishman Realty & Construction Company] 4 parts. *Christian Science Monitor,* Vol. 51, No. 17 (December 15, 1958) p. 12; No. 18 (December 16) p. 10;

No. 19 (December 17) p. 12; No. 20 (December 18) p. 14.

Toledo, Ann Arbor & North Michigan Railroad

MORGAN, JOHN M. "The Ashley's Build a Railroad," *Northwest Ohio Quarterly*, Vol. XXX, No. 2 (Spring 1958) pp. 82–99.

Guy Tombs, Ltd. (Canadian traffic and travel agent)

TOMBS, GUY, LTD. *25th Anniversary, 1921–1946*. Montreal, 1946. 115 pp.

Toronto-Dominion Bank

SCHULL, JOSEPH. *100 Years of Banking in Canada; a History of the Toronto-Dominion Bank*. Toronto, Copp Clark, 1958. 222 pp.

Towne, Frank B. See entry for National Blank Book Company.

Trumball, Jonathan

WEAVER, GLENN. *Jonathan Trumball, Connecticut's Merchant Magistrate (1710–1785)*. Hartford, Connecticut Historical Society, 1956. 182 pp.

This study, based on a doctoral dissertation at Yale University, concentrates on Trumball's career as a merchant rather than on his later career as a public servant. – Cf. Preface.

Turney, Eugene T., Jr.

REYNOLDS, QUENTIN, AND WILFRID S. ROWE. "Fired — to Success; Eugene T. Turney, Jr., of North Shore Nameplate," *Operation Success*. N.Y., Duell, Sloan and Pearce, 1957, pp. 3–12.

William Underwood Company

FARVE, GEORGE H. [William Underwood Company — Canners] 2 parts. *Christian Science Monitor*, Vol. 50, No. 158 (June 2, 1958) p. 20; No. 159 (June 3) p. 15.

SHAW, FRANCIS H. "The History of William Underwood Company, 1821–1954." Ph.D. Thesis, Harvard University, 1956.

United Artists Corporation

"The Derring-Doers of Movie Business," *Fortune*, Vol. LVII, No. 5 (May 1958) pp. 137–141 +.

United Business Service Company

BABSON, PAUL T. [United Business Service Company — a Business and Investment Advisory Service] 4 parts. *Christian Science Monitor*, Vol. 50, No. 35 (January 7, 1958) p. 12; No. 36 (January 8) p. 12; No. 37 (January 9) p. 13; No. 38 (January 10) p. 10.

United Fruit Company

REDMOND, KENNETH H. [and others]. [United Fruit Company] 5 parts. *Christian Science Monitor*, Vol. 50, No. 212 (August 5, 1958) p. 11; No. 213 (August 6) p. 10; No. 214 (August 7) p. 14; No. 215 (August 8) p. 10; No. 216 (August 9) p. 12.

Each part is written by a different executive of this company.

United Grain Growers, Ltd.

COLQUETTE, RICHARD D. *The First Fifty Years: a History of United Grain Growers Limited*. Winnipeg, Public Press, 1957. 309 pp.

Van Dyck Associates

VAN DYCK, KENNETH. [Van Dyck Associates — Industrial Designers] 2 parts. *Christian Science Monitor*, Vol. 50, No. 103 (March 28, 1958) p. 16; No. 104 (March 29) p. 18.

Virginia Central Railroad

COLEMAN, ELIZABETH D. "The Story of the Virginia Central Railroad, 1850–1860." Ph.D. Thesis, University of Virginia, 1957. 330 pp. (University Microfilms, Ann Arbor. Publication, No. 22,888.)

Vulcan-Cincinnati, Inc.

WENTWORTH, ELLIOT. [Vulcan-Cin-

cinnati, Inc. — Designers and Builders of Chemical Plants and Equipment] 4 parts. *Christian Science Monitor*, Vol. 50, No. 294 (November 10) p. 14; No. 295 (November 11) p. 18; No. 296 (November 12) p. 15; No. 297 (November 13) p. 18.

Wamsutta Mills (cotton goods)
"Wamsutta," *America's Textile Reporter*, Vol. LXXII, No. 37 (September 11, 1958) cover and pp. 37–39.

John Wanamaker, Inc.
WANAMAKER, JOHN. [John Wanamaker, Inc.] 2 parts. *Christian Science Monitor*, Vol. 150, No. 148 (June 20, 1958) p. 16; No. 149 (June 21) p. 13.

Weller, Augustus B.
REYNOLDS, QUENTIN, AND WILFRID S. ROWE. "The Public be Served; Augustus B. Weller of Meadow Brook National Bank" [in Nassau County on Long Island, N.Y.], *Operation Success*. N.Y., Duell, Sloan and Pearce, 1957, pp. 44–53.

Weston, Edward (electrical engineer and industrialist)
WOODBURY, DAVID O. *A Measure for Greatness; a Short Biography of Edward Weston*. N.Y., McGraw-Hill, 1949. 230 pp.

Weyerhaeuser, Frederick
HAUBERG, JOHN H. *Weyerhaeuser & Denkmann; Ninety-five Years of Manufacturing and Distribution of Lumber*. Rock Island, Ill., Augustana Book Concern, 1957. 167 pp.

Whitin Machine Works
BOLTON, J. HUGH. [Whitin Machine Works] 3 parts. *Christian Science Monitor*, Vol. 50, No. 267 (October 9, 1958) p. 14; No. 268 (October 10) p. 10; No. 269 (October 11) p. 14.

Woodmen Accident and Life Company
FAULKNER, EDWIN J. *Prairie Pioneer of Personal Insurance; Woodmen Accident and Life, Lincoln*. N.Y., Newcomen Society in North America, 1956. 28 pp.

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Collective Histories and Biographies

Included with these collective histories, published since the Spring of 1957, are the names of selected trade journals that regularly feature historical articles, chiefly of a biographical nature.

America's Textile Reporter. (Boston, Frank P. Bennett & Company. Weekly)

Occasionally the editor, Mr. E. Howard Bennett, writes an editorial that contains historical data about various textile firms, based on his broad knowledge of this industry. Three of these in 1958 were "The Stinger and the Adder," Vol. LXXII, No. 1 (January 2, 1958) cover and pp. 27–28; "Wool Markets and Woolens and Worsteds," No. 6 (February 6, 1958) cover and pp. 27–30; "The Loom Builders," No. 20 (May 15, 1958) cover and pp. 37–38.

Boot and Shoe Recorder. (Philadelphia, Chilton Company. Semi-monthly)

Each issue presents a short profile sketch of a prominent individual in the shoe industry.

Christian Science Monitor. (Boston, Christian Science Publishing Society. Daily except Sunday)

A continuing feature is a series of articles on the growth and prospects of important businesses. These appear on the "Business-

Research" page and are written at the request of the Monitor either by the company's president or by one of the newspaper's correspondents. Most of them are listed in the accompanying bibliography, and the citations refer to the two-star Atlantic Edition.

Dictionary of American Biography. Vol. XXII, Supplement 2. Ed. by Robert L. Schuyler. N.Y., Scribner, 1958. 745 pp.

Authoritative, short biographical articles of notable Americans who died during the years 1936 to 1940. The authors of most of the articles on businessmen are widely recognized authorities in the field of business history.

Engineering News-Record. (N.Y., McGraw-Hill Publishing Company. Weekly)

The "Men and Jobs" section describes the activities of an engineer or engineering firm. These articles are usually from one to three pages in length.

Finance. (Chicago, Finance Publishing Company. Monthly)

Each issue contains a two-page "Profile" of a financial officer in the news. Some numbers also have articles on a bank or other financial institutions.

FORTUNE. *Adventures in Small Business: 119 Success Stories of Ideas, Products and Inventions that have been Developed into Profit-Making Businesses.* N.Y., McGraw-Hill, 1957. 273 pp.

A continuing feature of *Fortune* is its "Short Stories of Enterprises," which are very brief but interesting success stories of little known businesses and their principal developers. Each issue has two or three such sketches. This volume reprints some of these stories and is a sequel to an earlier book entitled *100 Stories of Business Success* (N.Y., Simon and Schuster, 1954).

FORTUNE. *Readings in Finance From Fortune.* Ed. by J. Fred Weston. N.Y., Holt, 1958. 122 pp.

A compilation of "Those parts of original articles [from issues covering 1933–1957] which are most significant for a book of readings to illustrate the living aspects of financial management." – P. iv. Most are about a particular company or promoter and are from one to five pages in length. The emphasis is not historical.

Industrial Canada. (Toronto, Canadian Manufacturers Association. Monthly)

Some of the 1958 issues include two-page biographical articles of "Men of Industry."

Industrial Development. (Atlanta, Georgia, Conway Publications, Inc. Monthly)

Most issues describe the plant expansion program of a specific company.

Modern Textiles Magazine. (N.Y., Rayon Publishing Corporation. Monthly)

Each issue features an interesting two-page to four-page article about a textile company or an executive.

Monetary Times. (Montreal, Monetary Times Printing Company of Canada. Monthly)

The "Biography" section in each issue highlights the career of a specific Canadian company president.

New England Electrical News. (Boston, New England Electrical News, Inc. Monthly)

The biographical articles in each issue appear under the heading "New Englander You Should Know."

New York Times. (N.Y., New York Times Company)

Every Sunday the Business and Financial Section (Section 3, p. 3) presents a biographical sketch of a prominent executive in a column entitled "Personality."

Petroleum Engineering. (Dallas, Texas, Petroleum Engineer Publishing Company. Monthly)

Most issues contain a one-page "Petroleum Profile" of a prominent executive in this industry.

Printers' Ink. (N.Y., Printers' Ink Publishing Corp. Weekly)

Most issues have a "Printers' Ink Profile," interesting three-page to five-page biographical articles of outstanding advertising or marketing executives.

Pulp and Paper Magazine of Canada. (Gardenval, Quebec, National Business Publications Ltd. Monthly)

A one-half page regular feature is its "Prominent Man in the Industry."

REYNOLDS, QUENTIN, AND WILFRID S. ROWE. *Operation Success.* N.Y., Duell, Sloan and Pearce, 1957. 237 pp.

The success stories of twenty businessmen (listed individually in the accompanying bibliography) and of one organization, the Salvation Army. These brief sketches at-

tempt to isolate success ingredients, with frequent use of incidents and quotations obtained in personal interviews.

SANDERSON, EDMUND L. *Waltham Industries; a Collection of Sketches of Early Firms and Foundries*. Waltham, Mass., Waltham Historical Society in Cooperation with the Waltham Chamber of Commerce, 1957. 164 pp. (Waltham Historical Society. Publication, No. 6)

Short descriptions of early companies located in Waltham, Massachusetts, usually one to three pages in length.

SIBLEY, JOHN L. *Sibley's Harvard Graduates, Vol. X, 1736–1740: Biographical Sketches of Those Who Attended Harvard College in the Classes 1736–1740* . . . by Clifford K. Shipton. Boston, Massachusetts Historical Society, 1958. 581 pp.

These brief sketches, usually from one to three pages, include a number of early merchants.

Western Advertising. (San Francisco, Ramsey Oppenheim Publications. Monthly)

Most issues contain a biographical sketch of a West Coast advertising manager or agency executive.

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Business History Writing

BARKER, T. C. "Business History and the Business-Man," *Business History*, Vol. I, No. 1 (December 1958) pp. 16–20.

This article, addressed to British businessmen, states the case for consulting an economic historian when a company history is to be written.

"Business History and Economic History," *Journal of Economic History*, Vol. XVIII, No. 4 (December 1958) pp. 453–485.

Consists of two papers: "Business History, Entrepreneurial History and Business Administration" by John G. B. Hutchins, and "Economic History and New Business History" by Herman E. Krooss, with a "Discussion" at end.

FRANTZ, JOE B. "Business History," *Texas Business Review* (Bureau of Business Research, University of Texas), Vol. XXXI, No. 4 (April 1957) pp. 6–8.

A short discussion of developments in the writing and teaching of business history since 1925, with special reference to Texas and the Southwest.

KELLEY, ETNA M. "How Big Corporations Use Their House Organs to Publicize Company Anniversaries," *Direct Advertising*, Vol. XLIII, No. 2 (Fourth Quarter 1957) pp. 8–13; No. 3 (First Quarter 1958) pp. 27–32.

Sixty anniversary issues were examined by the author as to content and presentation, with special mention of a few outstanding examples.

KOHLMEYER, FREDERICK W., AND C. C. JONES. "Some Criteria and Criticisms of Company Histories," *Atlanta Economic Review*, Vol. VIII, No. 5 (May 1958) pp. 6–9.

Two economic historians attempt to answer questions business executives might ask when considering the publication of a company history.

Two Giants of International Trade

The Unilever and Royal Dutch Histories

A Review Article

by Henrietta M. Larson

ASSOCIATE PROFESSOR OF BUSINESS HISTORY AT HARVARD GRADUATE SCHOOL OF BUSINESS ADMINISTRATION

and

George S. Gibb

EDITOR, BUSINESS HISTORY REVIEW

THE HISTORY OF UNILEVER: A STUDY IN ECONOMIC GROWTH AND SOCIAL CHANGE. *By Charles Wilson. London, England, Cassell & Company Ltd., 1954. 2 vols. 45s.*

Reviewed by Henrietta M. Larson

The History of Unilever by Charles Wilson of Cambridge University deals with a development in the history of business which in broad outline is for many decades similar to that surveyed in the *History of the Royal Dutch*. Unilever had its beginnings in marketing in England and the Netherlands, while Royal Dutch grew out of oil production in the East Indies. Both concerns, however, supplied products that benefited from and contributed to the rising standard of living in the late nineteenth and the early twentieth century, and both had the same thrust toward integration, toward crossing international boundaries, and also toward rapid growth, particularly by association or outright merger with other companies. Both became great international concerns and eventually assumed similar corporate structures, with two holding companies at the top joined by boards of directors having identical memberships.

Yet *The History of Unilever* and the *History of the Royal Dutch* differ in certain significant ways. They show the different special interests of the authors, and indeed the different origins of the two companies. Most significant is the fact that the Unilever history carries the development beyond the period of personal administration by strong and dominating leaders to a period of rationalization and consolidation under a type of leadership that has come to be known as professional administration.

The history of Unilever is the work of a social scientist trained especially in economic history and theory. The author explains as follows his reason for undertaking the writing of this history:

> . . . I was interested to see how far the study of an individual business, and that a business closely connected with a vast demand for products in common use, might illumine those processes of economic and social change which have been largely studied in national and general terms: in particular, to find out whether it might throw even a ray of light on the central problem of economic life — the mystery of economic growth. . . .

This interest was apparently influenced by a belief that "some of the assumptions of our history books" about the capitalist and capitalism should be re-examined. In a very revealing preface, the author points to underlying assumptions in the treatment of business in nineteenth-century economic history. He writes:

> Looking at the economic development of states or regions, or considering whole industries or groups of industries, historians have often written as if growth and material progress were a natural and inevitable process needing no propulsion from human enterprise. . . . In their anxiety to diagnose the nature of social ills and prescribe remedies, the politico-economic practitioners have neglected the particular for the general; men have been sacrificed to trends; the concrete to the abstract. If much that has been written about the earlier phases of industrialism seems unsatisfactory to the historian, it is because it has so often defied the rules of historical perspective. The actions and policies of yesterday, severed from their historical context, have been judged summarily by the standard of today. Conversely, contemporary problems and future possibilities have often been surveyed through a mist of inherited prejudices. Sometimes such judgements have arisen from ignorance, sometimes from doctrine. Whatever else changed, it seemed, "capitalism" and "capitalists" did not. . . . The close study of the history of private business provides a salutary warning against the temptation to reduce enterprise too easily to a formula.

Mr. Wilson does not set out to defend business or to prove a thesis. His is an exploration, a case study, principally of the origins of Unilever, which the *Economist* described as "one of the biggest industrial amalgamations in European history." Unilever was the result of the fusion in 1929 of a concern made up of two groups of companies known as the Margarine Union in Great Britain and the Margarine Unie in Holland and another controlled by the British Lever Brothers. To this union, the two Dutch firms supplied a large part of the edible fats market in Great Britain and on the Continent, while Lever Brothers contributed a large share of the soap market in Britain and the Empire and also a sizable

portion of the soap trade elsewhere. Both groups had many associated commercial and industrial interests. Book I deals with the origin and development of Lever Brothers before the union, Book II with the Continental groups, and Book III with the merger in 1929 and the subsequent twenty years of the new concern. The factual content about their business was drawn largely from the companies' own records. The main theme of the larger part of the history is the growth of combinations that led to the union.

The author treads easily a middle ground between the two opposite poles of historical philosophy, one or the other of which has tended to influence economic and business historians: economic determinism and free will — the businessman as a creature of his times or as a creator of his enterprise. With succinct summaries and frequent references, the author constantly keeps the reader aware of the economic, social, and political environments in which these businessmen were operating. He shows the men and their enterprises at work within societies that are being industrialized, with an accompanying specialization of production, growth of trade, increasing purchasing power, and a generally rising level of living. Times and conditions change, and the significance of these changes in business is clearly shown.

Although recognizing that in "economic history as elsewhere a man is limited by circumstances," the author shows the businessman as an active and creative factor in historical development. He says that "at the heart of the economic process there is human intelligence, human character, ingenuity, and enterprise." It is men "who organized the great industries, who studied the application of inventions on a large scale, raised the capital, followed or created the markets . . . and — above all — shouldered the risks. . . ."

Of necessity, the author has treated the emerging and developing groups separately. In essence this is a story of grand strategy in the building of large business concerns. Step by step for each component of the final merger is traced the growth of combination, horizontal and vertical. "No single motive and no set of circumstances," the author observes, "will suffice to explain the steady movement of a considerable part of the European oils and fats industries during a period of three-quarters of a century towards amalgamation." He finds the explanation rather in efforts to reconcile destructive competitive forces (pure competition in the old sense was not workable), overcome patent conflicts, eliminate costly duplication of effort, and make possible operations on a sufficient scale to utilize improved technology. An interesting aspect of this development is the dynamic drive across national boundaries by merger with already established firms or by setting up branch concerns abroad. This system of branch companies and plants was the result not only of tariffs and of the high cost of transportation but also of the necessity of observing the differences in cultural and economic conditions which made local managements desirable.

One of the most significant aspects of the growth of these companies is the story of vertical integration. Although it is impossible to generalize too definitely — because decisions were sometimes far from rational and were even the result of the lure of the unknown, the search for a new

business adventure — both the desire to maximize profits and the consideration of defense motivated backward or forward integration. Backward integration from wholesaling into manufacture, or forward integration into wholesaling and retailing, seem to have been effected without serious problems. Trouble came especially in backward integration into supplying raw materials, notably in entering upon raw material procurement or production in the tropics. Certainly, the experiences with raw materials cast much doubt on the validity of common assumptions about vertical integration.

To businessman and student of history, alike, this account of the administrators of the predecessors of Unilever is both interesting and significant. Here it must suffice to note only one of several men who built those components, William Hesketh Lever, or Lord Leverhulme as he later became. Lever can well be taken as a classic example of the more enlightened captains of industry of the late nineteenth and the early twentieth century, a type of entrepreneurial ancestor of today's business that is now nearly as much of a period piece as is the merchant prince of medieval times.

Lever was a middle-class mid-Victorian, brought up with "ideals of decent respectability, business probity, the gospel of hard work and an untheological brand of piety, mostly of the Dissenting kind." He started work at the age of sixteen in his father's wholesale grocery business in Lancashire, where he had a varied experience, working "indoors," traveling as a salesman for the firm, and even purchasing butter in Ireland and Holland. In 1885, having come to see the growing opportunities in the soap market, he set off on his own by acquiring a soap factory. This was the beginning of a business that was to have a phenomenal growth.

Wilson draws a clear picture of this British pioneer in big business, who gained far more than half of Britain's soap industry and reached into nearly all parts of the world with branch factories and sales. It is a picture of an exceedingly complex personality. His policies and methods were altogether pragmatic, a matter of trial and error, but on the whole Lever had a remarkable capacity to analyze current conditions and to judge the trend of change. He was a man of tremendous energy, restless drive, and creative imagination. Although something of a tyrant holding control in his own hands, he had a deep sense of personal responsibility for his firm's employees and shareholders. The complexity of his nature is illustrated by a letter which he wrote to an associate in 1923, when his concern was in serious trouble that had begun in 1920 with the steep fall in the value of inventories. Exhibiting a high sense of responsibility as well as a capacity for self-analysis, Lever wrote:

> I ask myself what has caused me to begin work at 4:30 in the morning during the last two or three years, and to work laborious hours, and to have only one absorbing thought, namely my own efficiency and the maintenance of my own health for the task I had to perform; and I am bound to confess that it has not been the attraction of the dividends but "fear" — merely "cowardly fear." I could call it by lots of high sounding names, but if I must be perfectly candid with myself I am convinced that it has been the growing fear in my heart that Lever Brothers would have to pass their dividends. I had placed myself in this position by accepting money from all classes of investors, including widows, spinsters, clergymen, and others —

all subscribers for Lever Brothers' shares from the confidence they had in the business and myself. . . .

The result of Lever Brothers' vertical and horizontal expansion was an uncoordinated giant, with capital irretrievably invested in operations — particularly to provide raw materials — over which Lever had little or no control. In the difficult years beginning in 1920 he was able to stave off disaster by reducing costs generally and by entering further combinations in order to meet destructive competition and reduce costs. But to consolidate the business was beyond the power of its builder. Before Lever's death in 1923, the amorphous empire he had built came under the influence of financial men, notably Francis D'Arcy Cooper. Within a week of Lever's death, Cooper was appointed to succeed him. The author characterizes the new head of Lever Brothers as follows:

. . . He was possessed of a natural habit of command and a judgement of men surpassing that of his predecessor. And . . . he brought to the problems of the business a new quality of thoughtful analysis of long-term issues quite unlike anything it had seen before. He had moreover a gift for developing a sense of responsibility in subordinates, a quality none too plentiful in a business which for thirty years had been run as a dictatorship. . . .

Here was a new type of business administrator, a type without which large-scale enterprise could not have succeeded in our time.

No less significant to the history of business is Mr. Wilson's story of the growth of the other concerns which in 1929 joined Lever Brothers to form Unilever. Here too were strong and dominating men. The main product of the Dutch companies was different from Lever's, and of course conditions varied among the many Continental countries. The Continental groups also were the result of combinations and of integration backwards into raw materials and even forward into retailing. Like Lever's, they ran into trouble in the 1920's, and the result was the combination which joined Lever Brothers to form Unilever.

The decade of the 1920's has a significance to Unilever beyond the formation of the combination; it marks an important shift in the administration of the concern as well as in its corporate composition and organization. The union of 1929 was a result of a change that had been in progress for several years: the transfer of control from the old leaders in large-scale enterprise — who as owner-managers, holding control in their own hands, tended to minimize risks and costs through absorbing competitors and whose strength was in strategy rather than in careful management of operations — to professional managers, whose strength lay in long-time planning, research, the reduction of costs, more effective communication, and the better utilization of human resources at all levels.

The History of Unilever thus spans two great developments in the history of business since about 1875. The last hundred pages, in essence, epitomize the revolution that has taken place in recent decades in the top administration and administrative practices of large-scale enterprise. Most significant to the history of business, however, because most fully dealt with, is the insight given into the contributions of the earlier builders

of our business system. In their search for protection against risks, particularly the risks inherent in the competition of many small concerns, they formed large combinations. "Without the concentration of capital and skill entailed in the formation of large units of ownership and production," the author concludes, "the technical and scientific developments of the last half century would not have been possible."

While recognizing that *The History of Unilever* offers so much that has value in historical philosophy and methodology and in factual content and meaning, it is not inappropriate to suggest that there may be room for even further study of Unilever and its predecessors. Business concerns of the size and scope of this group, if comprehensive records are available, offer nearly endless opportunities for research; a historian could spend a lifetime on one such concern and yet not explore all the facets of its history. This reviewer believes that, without further exploration of the financial history and of the management of the operations of Unilever and its predecessors, neither their growth nor the full significance of the administrative revolution of recent decades can be fully comprehended. A comparative study of the American branch and of a comparable unit in England and on the Continent would be invaluable. Such a study should reveal in greater depth the changing nature, functioning, and influence of large business concerns of the past hundred years. Even the history of one of the predecessors or present components of Unilever, for example of the American branch, would make a valuable companion study to Mr. Wilson's distinguished contribution to the history of business.

The glimpses given by this review into *The History of Unilever* can give no adequate appreciation of the great value of Mr. Wilson's study. Its richness consists not only in the developments so effectively presented. It lies particularly in the author's perception and presentation of the meaning of those developments. This study offers much not only to the historian and the economist but also to the businessman himself and the molder of public policy. But the book is not one that can be skimmed. It must be read carefully and thoughtfully.

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HISTORY OF THE ROYAL DUTCH. ***By Dr. F. C. Gerretson. Leiden, Holland, E. J. Brill, English translation 1953. 4 vols.***

Reviewed by George S. Gibb

"The Royal Dutch was a child of freedom, born and bred in a world which regarded political boundaries as so many barriers to progress, impeding the natural development of world economy." In these terse phrases, opening the powerful third volume, Professor Gerretson characterizes the subject of his mammoth corporate portrait.

This four-volume history of one of the most interesting industrial organizations of our times emerges — belatedly because of the language barrier — as a business history classic, not without flaws but sweeping, detailed, dramatic, and meaningful to the student of world commerce and politics. By itself it serves as one of the best accounts that has yet been written of the international petroleum industry up to 1914. It implements

in an important way the published histories of the Shell Oil Company (America), Jersey Standard, Indiana Standard, and the forthcoming histories dealing with Humble Oil and Standard of California that in combination will make the petroleum industry by far the most carefully studied of all industries. Scholars will anxiously await the filling of the gap left by the still untold Royal Dutch-Shell story from 1914 on, and will sympathize with the chronicler's predicament of having had history unfold faster than he could record it.

A word about this remarkable scholar and the background of the Royal Dutch history project is in order. Professor Gerretson served for many years as Professor of Colonial History at the University of Utrecht. Earlier in his career he was secretary to Hendrickus Colijn during the years following World War I when Colijn was managing director of the Royal Dutch-Shell group. Gerretson also served as a member of the upper house of the Dutch Staats-General (equivalent to being a Senator in this country) and often figured in the news as a result of his parliamentary speeches. Writing under the pen name of Geerten Gossaert, he was also a well-known Dutch poet, occupying a position in Dutch letters somewhat like that of Robert Frost in the United States. His *History of the Royal Dutch* is considered in its Dutch language original to be a masterpiece of prose literature. Some of this literary quality inevitably disappears in translation, but even the English text is forceful and sparkles with imaginative metaphor and wit.

About the time Colijn left the company (1921) and went on to become Prime Minister, Gerretson — already a distinguished academician — was commissioned to write the Royal Dutch history. He was assisted on the technical side by Professor R. C. Forbes. The research and writing constitutes an epic of toil and concentration, for both of which Professor Gerretson possessed exceptional capacity. It is said that he would research for a protracted period, doing almost no writing, then appear in the office, call for a relay of stenographers, and dictate without interruption anywhere up to thirty hours — living meanwhile on coffee out of a thermos jug. It was during one of these sessions that the Germans launched their *blitzkrieg* on the Netherlands. The distinguished professor refused to be interrupted, and calmly finished the passage on which he was working before emerging to face the national catastrophe.

The first volume of the Royal Dutch history, published by Enschedé of Haarlem, appeared in 1932, the second in 1936, and Volume III in two parts in 1941. A three-volume, so-called popular Dutch language edition was published in Utrecht between 1939 and 1942. Gerretson planned a fifth volume covering the period 1914–1921 and a sixth going through 1929. Work on these additions was presumably far advanced at the time of Gerretson's death in October, 1958. The company's publication plans for the final volumes have not been announced, and an English translation of the 1914–1929 history unfortunately appears to be a distant eventuality.

The Dutch language original of Gerretson's published volumes has been utilized intensively, though with considerable difficulty, by a few American scholars, for example the Business History Foundation group working on the Jersey Standard history. By and large, however, historians have had to wait for the long-delayed English translation. The appearance

of this translation points up the circumstances that, notwithstanding the vaunted American progress in business history, European scholars are the ones who actually have pioneered in writing objective accounts of large business units. Professor Henrietta M. Larson, in an article in the *Journal of Economic and Business History* (Volume II, No. 3, May, 1930), long ago called attention to the history of the *Stora Kopparbergs Bergslags Aktiebolag*. Gerretson's Royal Dutch history is another case in point. He must be accorded recognition as a trail blazer in business history, and the Royal Dutch-Shell must be awarded appropriate laurels for commissioning a scholarly history at a time when few companies even in the United States had begun to lay open their records.

So much for the background. The Royal Dutch history itself tells an immensely complicated and important story. Professor Gerretson's presentation, unfortunately, does not tend to make this story any less complicated. In the English edition all source references are omitted — a most serious disadvantage for the academic reader, though no doubt a blessing to others. His treatment is roughly chronological, which makes for good narrative but renders extremely difficult the tracing of specific topical lines of development. This difficulty is compounded by the absence of chapter titles and topical subheads. The page running heads are literary rather than concretely descriptive, and are of little help. A splendid index is provided, but this takes the reader only to specific facts and does not guide him to broad subjects or to chronological segments. In short, the history is delightful to read and extremely difficult to use for certain kinds of reference purposes.

Gerretson's account concerns the rise, which can only be described as phenomenal, of a small Dutch crude oil producing group from a position of insignificance in the early 1890's to a point soon after the turn of the century when challenge could successfully be offered to the powerful Standard Oil organization. For a full business generation thereafter, it was the contest between the Standard Oil companies and the Royal Dutch-Shell that shaped the world industry and at times influenced the course of national and international politics. In terms of Professor Gerretson's emphasis, the Royal Dutch history is composed of four major phases: producing, marketing and transportation, organization, and state relations. Each of these is spelled out in greatest detail, with the last-named being the best account yet written, to my way of thinking, of the intricate interplay between a company and its government friends and foes. This is not surprising, given the nature of the enterprise and Professor Gerretson's own training and interests.

Volume I is an epic lesson in Dutch Colonial policy, and is worth reading for this alone. For the student of business enterprise, Gerretson's account of the founding and early days of the Royal Dutch presents a remarkably sharp picture of the difficulties of innovation. The performance of Telaga Toenggal No. 1 was strikingly symbolic. A. J. Zijlker, a tobacco planter, was the first to sense the commercial possibilities of the numerous oil seepages in the Dutch East Indies. In 1882, after several years of costly and disappointing developmental effort, he drilled the discovery well, but the output of Telaga Toenggal was a disappointing five barrels per day. Then it fell to a trickle. Zijlker's hopes were dashed, but

just when matters had reached their most dismal state the black, bubbling Sumatran fountain mysteriously began to flow again. Oil poured forth in a mounting flood and development went forward.

The striking aspect of the East Indian oil strike is that all factors were present for immediate and sensational exploitation. The oil was there, the techniques of discovery and production and refining were adequate, and rich markets beckoned in the Far East. Yet years went by while Zijlker and his successor, J. B. A. Kessler, struggled to weld the factors into a successful combination. Not the least of the frustrating obstacles were Dutch Colonial policy and occasional recalcitrance and lack of vision on the part of Zijlker's compatriots. Gerretson's record of this beginning period admirably illustrates the principles of innovating enterprise everywhere. In his portraits of Zijlker and Kessler he catches the very essence of the entrepreneurial spirit.

The second broad stage of Royal Dutch development consisted of efforts to "rationalize" competition in the East Indies and the Far East. Kessler was a master strategist, which meant that he knew when to fight and when to compromise. His successor, Henri D. A. Deterding, was an even greater strategist, and here Gerretson hits his stride. The mercurial Deterding is unquestionably one of the most fascinating figures in all business history. Some of his greatest exploits and most spectacular adventures occurred after 1914, but even so Gerretson paints a vivid and frank picture of the man. It was this one-time penniless bank clerk who first joined together the Royal Dutch, the Shell, and the Nobel-Rothschild interests to form a mighty competitor for the Standard, and who then promoted an "impossible" outright merger between Dutch and British interests that became the Royal Dutch-Shell.

Deterding's philosophies were never hazy, nor did he shrink from making them known by word and deed. "Freedom," he said, "devours its children." Yet Deterding was a free trader in the sense that he abhorred government regulation — except when it was necessary to achieve his strategic objectives. Gerretson makes a great point of the "politico-phobia" of the Royal Dutch, yet somehow this impression of the mighty organization as a pawn of scheming politicians does not ring entirely true. Deterding was many things, but none of them was a pawn. His concept of "freedom," like that of his opposite numbers in Standard Oil and elsewhere in the contemporary business world, involved freedom of businessmen to act together in harmony to eliminate wasteful competition.

Whether or not Professor Gerretson has gone too far in denying the influence of the international oil companies on world politics, his description of the conflict between economic and political forces is a classic. The theme is summarized thus (Volume IV, p. 304):

> The movement, which we have tried to portray on our canvas in the development of one world concern, the Royal Dutch, constitutes the transition from the system of world free trade to that of national, or continental, autarky. Are the two systems really so diametrically opposed as the contemporary is inclined to think? Our story, which considers the events in a wider context and over a longer period, shows that on the contrary they proceed from one another. The new system is nothing but the old one, which, pursued to its logical conclusion, has turned into its opposite.

The clarity of Gerretson's treatment of rising economic nationalism is only slightly diminished by two flaws. One is his concentration on the Dutch side of the Royal Dutch-Shell alignment. He undertakes to report in full only the Royal Dutch story and, although some of the British background is included, the history is necessarily one-sided. This impression is strengthened by the second apparent flaw — an occasional lack of academic neutrality. The whole early history of the Royal Dutch is supercharged with the most intense nationalism, and Gerretson himself seems, at times, to be Dutch first and an impartial historical observer second. But here it is necessary to temper criticism with an understanding of circumstances, subject, and personality.

The conflict between "free trade" and nationalism is a central theme in the Royal Dutch history after 1907, but other vital aspects of the business receive full attention. Students of the oil industry will be quick to note that Deterding was the first to build a large and fully integrated operation, performing every function between oil well and the lamps of the ultimate consumer. Not even the Standard, which produced a relatively small percentage of its own crude oil, had done this. It was also, apparently, on Royal Dutch concessions in the East Indies where the first large-scale example of noncompetitive field drilling is to be found. The fact is not without significance in this context that fifty years after discovery, Telaga Toenggal No. 1 was still producing oil.

The third broad phase of Royal Dutch history, following in sequence after the acquisition of concessions and the rationalization of Eastern markets, consists of the building of a world organization. Gerretson develops this aspect in great detail. One phrase of his appears time after time in the four volumes. "There was, however, a serious objection to the first solution . . . ." Not only does Gerretson describe each course of action that was adopted, but he also explores, almost endlessly, every other course that was considered. This makes for occasional loss of the story line, but it is highly valuable history and exceedingly accurate reporting.

Deterding expanded his organization to embrace marketing in Europe. Then in 1912, in a brilliant coup that caught his rivals napping, he took the Royal Dutch-Shell into the United States. The rising power of the group in the face of Standard Oil competition is one of the most interesting themes in the history. At the time Gerretson wrote, the Standard Oil side of the story was not available, and as a consequence the Royal Dutch historian falls into numerous errors, some major, some minor. This is understandable and eminently pardonable. He is quite erroneous, for example, in assuming that the Standard looked on foreign markets only as a dumping ground for surplus American oil. While there was an American surplus that had to be exported, Standard's bitter resistance to competition abroad was not inspired by a desire merely to protect a dumping ground, but rather to hold markets that were immensely profitable in themselves. He also adopts, rather wholeheartedly, the Ida Tarbell picture of the Standard, and far overestimates its "monopolistic" power. Actually, the Royal Dutch history itself provides abundant evidence that might have led Gerretson to question the Tarbell caricature. In a similar vein he seems to look upon Rockefeller as a dictator and his management team as a coterie of financial speculators. Both of these contentions have

been decisively overthrown. The essentially distorted impression of Standard Oil that Gerretson appears to entertain has its own significance, of course, for it was largely on this false picture that the Europeans based their strategies, which sometimes backfired simply because the Standard was not what they thought it was.

On the other hand, Professor Gerretson exhibits an insight into some of the broad policies and plans of Standard Oil that is remarkable, considering the one-sided nature of his evidence. And out of his attention to the Royal Dutch-Standard Oil conflict comes an excellent description of price and quota agreements. These have been frequently mentioned by others, but Gerretson is the first, as far as I know, to describe in ultimate detail how such competitive agreements worked — or, much more important, why they often failed to work.

On the technical side, Professor Gerretson's history leaves little to be desired, at least insofar as I am able to judge. His treatment of petroleum geology, producing, and refining is exhaustive and superbly illustrated (as, in fact, is the history as a whole). Yet he stops short, with fine restraint, of making his volumes mere textbooks on these scientific matters. On the other hand, I found far less detail and far fewer figures than seemed desirable on the financial and operating sides of the business.

Having considered this monumental piece of business history as it stands in its own right, we should also inquire of its relationship to business history in general and more particularly to recent business history, of which Charles Wilson's *Unilever* constitutes a useful and somewhat comparable example. Such a comparison also provides an expedient opportunity for inquiring how both works compare with the American output of recent vintage.

The Royal Dutch and the Unilever histories present some strikingly parallel aspects. Gerretson, as did Wilson, emphasized the inexorable pressures toward amalgamation, and similarly relates them to a response to destructive competition, to a desire (almost psychotic in Deterding's case) to eliminate costly duplication of facilities, and a drive to achieve the efficiencies that large-scale operation promised. In both organizations, the process of growth was dependent to a major extent upon vertical integration — largely forward from raw materials in the case of the Royal Dutch, backward from marketing in Unilever. Highly interesting comparisons can also be made of the two leaders, William Hesketh Lever and Henri Deterding. The reader may well wonder what these two contemporaries thought of one another and whether there was an exchange of experience.

Both Gerretson and Wilson have recorded their histories in a broad social, economic, and political context. Gerretson, using more space for fewer years, has gone much further than Wilson in this respect, but the difference is one of degree, not kind. Both are remarkably alike in their broad treatment, and both go far beyond American business historians in relating their companies to the environment. Gerretson, writing twenty or more years ago, had no precedent for doing otherwise; Wilson did, but deliberately chose the broad treatment over the narrow. From these circumstances we might conclude that there has not been, in Continental circles, that same trend toward specialization that in the United States

has made business and economic history into two distinct, if closely related, disciplines. He would be a bold observer indeed who attempted to say whether the American or the European school was "best," or whether the Gerretson-Wilson examples represent beginning or highly advanced models of company histories. Much will depend on the viewpoint and interest of the reader; even more will depend on the nature of the company that is being described.

If, in the score or so years that separate the Royal Dutch and the Unilever histories we see no appreciable narrowing down of historical viewpoint, it is possible nevertheless to discern some differences that may be ascribed, with relatively little fear of controversy, to progress of the art. For one thing, the Unilever history bears testimony to a great advance in data handling and presentation. Wilson is not only reader-oriented, but has tailored his presentation with a realistic appreciation of the major market for which his book has appeal. This might be expected, given the considerable accumulation of experience in company history writing that has built up in the interval between the Royal Dutch and the Unilever histories.

There is, however, a much more fundamental difference. Gerretson is almost entirely preoccupied with men and things — he concerns himself almost exclusively with the *what* and the *why*. His delvings into the *how* are largely confined to economics and politics. By this I mean to say that the element of *administration* is almost wholly neglected. The reader rarely sees how Deterding and his subordinates managed the organization. The function of control is not perceived as a subject of interest, either in itself or as it bears on operational events. This, of course, is regrettable, particularly because in the years about which Gerretson has written the Royal Dutch-Shell was a remarkable administrative complex and one that functioned in a completely different fashion from Standard Oil. Administrative differences in the two organizations, indeed, constitute a major explanation for certain events otherwise difficult to understand. Wilson, on the other hand, shows much greater respect for administration, and devotes considerable attention to the problems of control. Over the years that separated these two splendid historical treatises, then, it appears that there has been a sharpening perspective — a growing awareness that business development cannot be explained in terms of materials, geography, politics, and grand strategies alone. Perhaps, when the more mundane aspects of business behavior are better understood than they are even today, historians can afford to return to the study pattern that Professor Gerretson adopted. In the meantime, it would be manifestly unfair to criticize him for failing to do that which the circumstances of time effectively inhibited. Instead, it seems much more appropriate to point out that his achievements in recording the first quarter-century of the Royal Dutch history ranged far ahead of his day and in some respects have yet to be equaled.

BUSINESS HISTORY. ***Edited by F. E. Hyde. Published by the Liverpool University Press. Vol. I, No. 1, December, 1958. Pp. 62. This journal is to be published bi-annually. Subscription 30s; $5.00 in the United States and Canada.***

Reviewed by Muriel E.Hidy
Business History Foundation, Inc.

"Decisions reached in the counting house or the board room may affect the course of events quite as much as those made in public assemblies. Insufficient attention has been given to them." These sentences are taken from the concluding paragraph of Professor T. S. Ashton's introduction to a new periodical, *Business History*. They indicate the purpose of this welcome addition to the specialized publications within the general field of the history of economic life.

Although business history is considered a comparatively new area of concentration, its earlier roots will immediately be brought to mind by reading this first number. In its four short articles are found several names familiar to students of British economic life. To explore the interesting topic of "The International Exchange of Men and Machines," E. Robinson has examined material from Mathew Boulton's papers in the Assay Office Library which T. S. Ashton was not able to consult for his *Iron and Steel in the Industrial Revolution*. The flow of ideas across the Channel was not always in one direction, and the publicly expressed principle of secrecy was not always exemplified by actual practice.

The periodical is directed primarily to scholars, but businessmen are also invited to be readers. T. C. Barker gives frank advice to executives interested in a study of an individual firm and reviews briefly the progress made in business history in Great Britain. Here, as in a separate note, is information on the establishment of the Council for Preservation of Business Archives, now the Business Archives Council.

The other two articles are concerned with finance. R. H. Campbell's "The Financing of Carron Company" examines the problems experienced by a business venture in its formative years. Basing his study on records in the company's archives Mr. Campbell gives a meaningful example of credit hunger in a developing economy, in this case the Scotland of Adam Smith. R. O. Roberts' article on the banking operations of Wilkins & Company is a skillful reconstruction of business practices from scattered sources, including evidence before a Parliamentary Committee. Although the branches of this private banking house in South Wales had a large part of their dealings with the agricultural population, the discussion of the policy of the branches at Merthyr and Brecon add to our knowledge of the iron industry. In this fashion Roberts' essay appears as a pleasant compliment to and complements the work of T. S. Ashton.

Concluding the first number are six book reviews of a high caliber. One covers briefly several studies of Swiss economic life.

In general the format of the new journal is pleasing. It is of convenient size, opens easily, is uncluttered, and utilizes clear type. One criticism will occur especially to Americans accustomed to printers' consideration for readers: the lines are rather long for quick reading.

Several questions arise from a study of this first number. Does the editor intend to concentrate on European business history with special

emphasis on that of Great Britain, especially in the eighteenth century? Will the publication be a medium for comparing and contrasting business policies and practices in different countries and periods? Will the bi-annual issues continue to maintain the high standard of scholarship and interest of this first number?

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THE COMING OF THE NEW DEAL. ***By Arthur M. Schlesinger, Jr. Boston, Houghton Mifflin Company, 1959. Pp. xii + 669. $6.75.***

Reviewed by John B. Rae
Harvey Mudd College

This second volume of *The Age of Roosevelt* differs from its predecessor in some important respects. It covers two years rather than twelve, and the author has to address himself to the task of being *for* the New Deal rather than merely *against* the Old Order. Not that Professor Schlesinger is in the least hesitant about taking on this assignment; he does it with zest and enthusiasm. It makes a fascinating story, particularly for one who lived in Washington at the time. The personal vendettas among New Deal officialdom which Professor Schlesinger narrates in elaborate detail were then common gossip, although not, of course, a matter of public record.

As far as business is concerned, this volume deals with a period of vital transformation in the relationship of the federal government to the whole national economy. It is probably still too early to expect an objective appraisal of this transformation; certainly Professor Schlesinger has not provided one. He just does not like businessmen, except for the few who were whole-hearted New Dealers and therefore qualify as "liberals." The result is a double standard of judgment. The lapses of New Deal adherents appear as excusable human weakness, those of businessmen as inexcusable human wickedness. What is acceptable in one is reprehensible in the other.

At one end of the political spectrum, for example, Professor Schlesinger castigates the American Liberty League vigorously, and it does not take a left-winger to concur with his views here. At the other end, however, he is curiously complacent about the formation of a Communist cell in the Department of Agriculture right at the beginning of the New Deal. It was really quite harmless, he explains, because, "For the Communist party the A.A.A. was a staging area for personnel, not a fulcrum for policy" (p. 54) — an apology which seems to imply that Communists in government are all right as long as they are merely infiltrating and not actually determining policy. He is indignant over the Morgan "preferred list," even if it did include some highly placed members of the Roosevelt administration. A page or two later he presents W. Averill Harriman as "a liberal businessman who had voted for Smith and Roosevelt and whose investment banking house of Brown Brothers, Harriman had notably escaped Pecora's criticism" (p. 441). The reader is left to interpret this remark for himself: either that Harriman's firm operated on a higher level of purity than its competitors, or that in the matter of taking care of its friends the New Deal had nothing to learn from the House of Morgan. Sometimes, also, Professor Schlesinger's flair for colorful expression leads

him into nonsensical extravagance, as when he proclaims that the food, drug, and cosmetic industries insisted on their right to be "free to continue poisoning their customers" (p. 357).

Essentially what Professor Schlesinger has given us is a biased but readable political history of the First New Deal. He contributes little to an understanding of the economic impact of the New Deal. Part of the reason is that so much attention is given to the rivalries and temperamental outbursts among F.D.R.'s entourage that we get only casual and spasmodic glimpses of what was going on in the rest of the country. The rest of the reason is that because of the author's lack of sympathy with businessmen he makes no serious attempt to understand their position. We can freely grant that business presented its case badly in the 1930's; with a few distinguished exceptions, it still does. Nevertheless, there is a case to be made. In retrospect, the apprehensions of business about such items as fiscal and labor policy seem not entirely unfounded. To pick one specific point, after our subsequent experience with price and wage controls, the businessmen had more on their side than Professor Schlesinger is willing to concede when they insisted that the NRA could not regulate wages and at the same time leave prices to find their own level.

Moreover, this was a period when business was digesting the lessons of a painful experience. As the author himself points out, the business community entered the New Deal with a strong sense of its own fallibility (p. 424) — a quality which certainly distinguishes it sharply from the New Dealers. Consequently business accepted, often slowly and grudgingly no doubt, but in the long run effectively, the need for a reorientation of its relationships with government and the public. Someone else, however, is going to have to tell this story.

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BRITISH INVESTMENTS AND THE AMERICAN MINING FRONTIER, 1860–1901. ***By Clark C. Spence. Ithaca, Cornell University Press, 1958. Pp. ix + 288. $4.50.***

Reviewed by Arthur M. Johnson
Harvard Graduate School of Business Administration

This volume, which received honorable mention for the Beveridge Award of the American Historical Association in 1956, opens a new lode of historical data on British capital investment in the United States. The results are both intriguing and disappointing. On the one hand, the book provides a wealth of information on the promotional, capital, legal, and managerial problems of English joint-stock companies on the American mining frontier. In this respect it makes a significant contribution to our knowledge about certain aspects of British investment in the West. On the other hand, the author regrettably, and to some extent understandably, fails to fulfill the promise made in the Preface to investigate "the impact" of British capital investment on the mining frontier. The student of American economic development will be as much intrigued by the problems that Professor Spence leaves unanswered as by those that he settles in this work.

It is a tribute to Professor Spence's facile style and painstaking research

that the speculative spirit of the times fairly breathes from the pages of his book. The chapters on promotion and promoters are intensely interesting, for they document the wide range of types of promoters and promotional methods in fascinating detail. The Langham Hotel headquarters of mine promoters in London was frequented by men like "the wild-eyed radical, William Cornell Jewett," Louis T. Wigfall (a "fire-eating ex-senator from Texas"), and Colonel Jack Haverly who departed New York for London "with the Mastodon Minstrels and a few Colorado mines." Lawyers, brokers, miners, there were many Americans in England eager to make a "quick buck" out of mine promotion. There were also Englishmen, professionals and amateurs, who specialized in American mining property.

The standard procedure was to associate distinguished names with a proposed company and to issue a prospectus that painted its future in glowing — even incredible — terms. Spence quotes William Weston as reporting: "The average Britisher [who] is far too astute to go into anything really good because it is American, does not in the least object to being swindled, provided it is done by one of his own countrymen, and if by a body of them with a Duke's name as a director; it is positively delightful." (Page 51.) The author cites chapter and verse to support this observation.

The case study of the Emma Silver Mining Company, which had among its "decoy" directors the American Minister at the Court of Saint James and three M. P.'s, is an absorbing story of promotional activity. Buttressed by a report of Benjamin Silliman of Yale, who had inspected the mining property, the prospectus held forth the promise of a net yield of nearly £700,000 per year. The fact that the total purchase price of the property equaled the total capitalization seemed irrelevant by comparison. The results, however, might have been predicted. Troubled by litigation, inefficient management, and skulduggery, not to mention Acts of God and an unstable market for silver, the company succeeded in losing £125,514 from 1882 to 1895. As Spence observes (page 139), "Promotion and organization were different in this instance only in their magnitude and complexity."

Clearly, there is much interesting reading in this book and the fruit of much diligent research. Light is cast on the problems of managing mining enterprises from a distance, on the techniques of harassing litigation, and on the clash of state and local interests with the statutory, but largely unenforced, policy of the federal government on alien ownership of mineral lands. But in each instance it is virtually impossible to detect overall patterns nor is there any basis for making a comparison with the experience of American concerns. The result is a series of interesting "snapshots," each to a certain extent offset by another. Thus, after giving a picture of what seemed to be a state of continual litigation, Spence points out: "That there were frauds is undeniable. But the number of lawsuits actually commenced fell far short of what one might expect from reading company discussions." (Page 129.) And again, to put his discussion in proper perspective, he points out: "It must again be emphasized that most of these examples of litigation were in no way restricted to British mining companies, for American concerns encountered the same trou-

bles." (Page 136.) Litigation was, of course, a source of discouragement to investment, but once again there is no way to measure this reaction comparatively or quantitatively.

In Chapter X, Spence attempts a study of the aggregates and points up convincingly the difficulties involved. With broad qualifications, however, he finds it possible to say that "At least 274 [British] companies, with total capital of not less than £43,000,000, did operate for varying lengths of time in the West between 1860 and 1901." (Page 218.) At least fifty-seven of these companies paid dividends "aggregating an estimated £11,750,000 prior to 1915." (Page 230.) It is more difficult to estimate total investment in trans-Mississippi mines during this period, but by comparison he finds that the British holdings "made up only a small percentage."

Spence also traces the rise and fall of British interest in American mining properties chronologically and in relation to other areas of the world. The net conclusion is that "When the whole period is considered, the Englishman who poured his surplus funds into American mines was indeed 'gambling'." (Page 232.)

One can only regret that some of the areas of investigation indirectly suggested in the final chapter were not followed up in the preceding ones. For example, the author concludes that English investors, willing to take risks, pointed the way for Americans (page 237); yet throughout the book there is no demonstration that this was the case. Again, while it may be correct that Englishmen introduced new techniques and improvements to American mining (page 238), there is no evidence to that effect in this volume. Anyone seeking to learn the "impact" of British investment on American mining in the years 1860–1901 will have to await the results of further research.

Despite this shortcoming, the book is a "mine of information." The appendices on British mining companies, their capital, geographical distribution, and dividend records are invaluable. The fact that other data in many instances document what one would have expected to be the case does not diminish the significance of Spence's contribution. His is a pioneer work in an important field and the defects mentioned are for the most part understandably associated with such an effort. It is to be hoped that others will follow in his footsteps so that eventually we will have a means of judging more adequately the "impact" of British investment on America's "last" frontier.

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SUCCESS AND FAILURE IN SMALL MANUFACTURING: A STUDY OF 20 SMALL MANUFACTURING CONCERNS. ***By A. M. Woodruff, and T. G. Alexander. Pittsburgh, University of Pittsburgh Press, 1958. Pp. 124. $3.50.***

Reviewed by James H. Soltow
Harvard Graduate School of Business Administration

This study throws significant light upon the reasons for success and failure of small metal manufacturers. ("Small" is loosely defined to include companies ranging in size from 30 to 1,200 employees.) Empha-

sized throughout are internal factors such as maintenance of adequate control through records, attention to marketing, research and product development, and delegation of management responsibilities within the firm. While the material in the book will be of value to teachers of business administration, its usefulness to business historians has been limited by the apparent necessity to disguise not only the name and location of the companies but also the product manufactured by each.

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BENJAMIN STRONG: CENTRAL BANKER. ***By Lester V. Chandler. Washington, D. C., The Brookings Institution, 1958. Pp. 495. $6.00.***

Reviewed by Lance E. Davis
Purdue University

Professor Chandler has produced a thorough, penetrating, and illuminating study of the development of monetary theory and central bank policy during the first decade and a half of the life of the Federal Reserve System. Although this volume is no more a biography of Strong than Sir Henry Clay's study of Britain in the interwar period was a biography of Lord Norman, it is still a book about Benjamin Strong since, to a large extent, Benjamin Strong *was* central bank policy in the 1920's.[1] The decade and a half between 1914 and 1928 saw the gradual evolution of the Federal Reserve System from an infant institution with little understanding of its own powers to the most important financial institution ever organized in the United States. By the mid 1920's, the "Fed's" controls pervaded the entire economy and its managers took an active part in determining the direction of economic activity.[2] It is this evolution that is the subject of Professor Chandler's book.

Since his death, Strong's critics, and they are legion, have characterized him as too powerful, too concerned with Europe, and too unconcerned with Wall Street. To Chandler, Strong was an intelligent, able, self-educated financier, possessing the strengths and weaknesses of a businessman who has, without formal training, succeeded to a position of major policy responsibility. Although Strong was extremely capable and certainly the most practiced central banker of his era, he could not tolerate taking orders from anyone he thought less capable than himself, nor could he visualize a central bank controlled by political appointees rather than by members of the banking community. Since, during the 1920's, the Federal Reserve Board was composed of political appointees with little banking experience, it is not surprising that the period was marked by clashes between Strong and the Board of Governors. Moreover, the ill-feeling between New York and Washington frequently promoted even minor questions to matters of principle and, thus, made compromise almost impossible. Not only did Strong's relations with the Board interfere with his effectiveness, but also his banking background so cir-

[1] Sir Henry Clay, *Lord Norman* (London, 1957). Benjamin Strong dominated central banking policy despite the fact that officially he was only governor of the New York Bank.

[2] As late as 1916 the banks in the Federal Reserve System held only slightly more than one-half of total American bank deposits while by 1929 they held almost three-fourths of the total. Moreover, in the early years Federal Reserve officials were devoted to the policy of serving the needs of business, but within 10 years they had begun actively to direct the shape of the economy.

cumscribed his thinking that he frequently tended to undermine his own objectives.

Despite these personal shortcomings, it is almost impossible to over-assess Strong's contributions to the Federal Reserve System. As chartered, the System, with neither leadership nor direction, appeared doomed to early failure. Strong, through his contributions to postwar European recovery, gave the bank an international reputation, and through his work in the development of the open-market committee and the system accounts made the Fed an important force in the domestic economy.

During the last years of his life, Strong devoted considerable effort to straightening out the snarl of international finances created by the World War; and, during this period, much of American monetary policy can only be understood in the context of the international situation. As a result, no analysis of Federal Reserve policy or of Strong's influence could be complete without an account of the Anglo-American attempts to stabilize foreign finances. Between 1924 and 1929, Strong and Montague Norman, Governor of the Bank of England, successfully directed the return to the gold standard of England, Belgium, France, Italy, Poland, and Rumania; and, in almost every case, the Reserve Banks provided exchange stabilization funds to help ease the transition. Strong and Norman's success, even though temporary, is particularly remarkable when one remembers the militant isolationism that characterized the U. S. in the 1920's.

In the international area, Strong's position and background worked to undermine his efforts to achieve stability; however, no one can doubt that Strong was one of the few policy-makers who understood that without European stability there could be no peace, and that without economic stability there could be no political stability. Certainly economic stability could not guarantee peace, nor could Strong's policies (regardless of what they had been) guarantee economic stability; but Chandler's evidence indicates that any possibility of success, of the programs of Strong the policy-maker, were sharply reduced by the biases of Strong the banker. In every case Strong's efforts were aimed at a return to the prewar gold standard. Although there is still no agreement among economists over correct international economic policy, almost no one would argue that stability can be promoted by the imposition of convertibility at rates established without reference to current prices. Certainly an appeal to contemporary economic thought does not provide an adequate basis for criticism of Strong's actions during the 1920's when "the gold standard" stood next to God in the minds of most educated men; however, it does provide an explanation for the long-run failure of his policies.

In every case, Strong insisted that a workable plan to pay existing American war debts be adopted before he would commit the Reserve Bank in support of the program. Given the official American attitude, Strong cannot be too severely criticized; but there is no evidence that he understood the additional problems created by these restrictions. Moreover, Strong's banking background led him to insist that each country establish an independent central bank. Given Strong's training and his relationship with the Federal Reserve Board, this action is not difficult to predict; but the requirement may, in some case, have delayed economic

stabilization and certainly it was a hollow rule since no central bank can ever be actually independent.

An economist with an interest in entrepreneurship cannot but be impressed with the international achievements of Strong and Norman. To a large extent the stabilization programs were the work of these two men and were achieved through a close working relationship based on personal friendship and a jointly felt need for international stability. Their accomplishments seem to furnish proof of the dynamic role that individual entrepreneurs can still play in even a complex society.

Despite the importance of Strong's contribution to international affairs, it is in the area of domestic economic policy that his activities have had their most lasting effects; and it is in this latter area that his ideas, as reflected in the monetary policy of the New York Bank, have drawn the most severe criticism by economists, historians, and the financial community. Both contemporary chroniclers and more recent students of the period have charged that Strong was so committed to a program of price stability that he ignored questions of employment and output, that because of his Wall Street and international ties he refused to take effective action against the boom and security inflation of the 1920's, and that he usurped leadership from the Federal Reserve Board and implemented an economic policy that, while serving his interests, did not contribute to economic stability.[3]

On the question of price stability, Chandler argues that the critics have been too much impressed by the policies adopted in the immediate postwar period (1920–1921), and not enough influenced by later events. As late as 1920–1921 Strong thought that the economy needed a depression in order that prices might return to "normal" levels. During the next five years, however, his views underwent significant modification; and, although he never abandoned his belief that price stability should be *a* goal of monetary policy, he no longer argued that it should be *the* goal. As early as 1923 he raised his voice against a proposed amendment to the Federal Reserve Act that would have made price stability the sole goal of monetary policy (although perhaps he protested for the wrong reasons); and by the mid-1920's he had certainly come to realize that full employment and the maintenance of a high level of output were also legitimate goals of monetary policy.

On the charges of overindulgence toward stock speculation and European stabilization, Chandler argues that here too Strong has been unjustly maligned. Among the charges leveled at Strong, the two heard most frequently accuse him of easing credit to permit England to remain on the gold standard and thus touching off the stock market boom and of refusing to implement selective controls that might have halted the stock market inflation without stopping the economic expansion. As to the first charge, Chandler argues that it is hard to maintain seriously that a

[3] The question of Strong's views on price stability runs through many texts on money and banking. See, for example, Charles R. Whittlesey, *Principles and Practices of Money and Banking* (New York, 1948), pp. 372–374. As recently as 1957 Schlesinger argues that Strong's reduction of the discount rate in 1927 touched off the speculative boom. Arthur Schlesinger, Jr., *The Crisis of the Old Order* (Boston, 1957), pp. 68–70. Finally, many standard economic history texts still blame Strong for his domination of Federal Reserve policy. See, for example, Ross Robertson, *History of the American Economy* (New York, 1955), pp. 441–442.

single easing of credit can make a speculative boom; moreover, the evidence indicates that, taken in context, Strong's actions were "entirely reasonable." [4] About the second charge, Chandler admits any answer is highly speculative, but here too the evidence seems to support Strong. The issue between Strong and the Board was never loose versus tight credit; instead, Strong argued that only a program of general credit tightening could be effective, while the Board adopted the administration's view that only selective controls should be applied.[5] The governmental position was apparently based on a desire to keep treasury interest charges down and to avoid the political repercussions that follow a tight money policy.[6] The Board was not independent of the administration and, in addition, some of its members still did not fully realize that even business loans backed by real collateral can be inflationary.[7] On the other hand, Strong had long since recognized the fallacies of the "real bills" doctrine and understood that, given the nature of the banking system, there was no method of stopping speculative loans short of prohibiting them.[8] Thus, Strong concluded that only a general restriction of credit could stifle the boom, while the Board held that a qualitative restriction designed to make it difficult for banks to borrow from the Fed and pour these funds into the "Street" was sufficient. Such selective controls are always of doubtful efficiency; and, in this instance, since no control could be maintained over funds created beyond the first round, they were not even sufficient to prevent stock market speculation. It is interesting to note that at no time during the discussion did either Strong or the Board suggest amending the Federal Reserve Act to give the Board power over margin requirements. Since it is possible that Strong opposed selective controls because of a Wall Street bias, it is interesting to speculate on what his reaction to such a suggestion might have been.

Finally, the effects of Strong's leadership on the Federal Reserve Board cannot be completely assessed. Any such assessment ultimately depends on the relative weights assigned to a series of qualitative factors. Certainly Strong's personality tended to crystallize power in his hands, and his resistance to a "board of politicians" made independent action by the Board very difficult. On the other hand, the evidence suggests that the Board was so inept and incapable of exercising leadership that, even if Strong had not been an empire builder, the need for some direction might well have forced leadership into his hands. In a negative sense too, Strong made important contributions to the system. The existence of so able a man pursuing a strong policy forced the administration to make better appointments to the Federal Reserve Board; and, ultimately, forced the Board to assume the position of leadership that it had so long avoided.[9]

[4] This is also the view recently expressed by Professor J. K. Galbraith. At the time of Strong's action, a mild recession was developing. John Kenneth Galbraith, *The Great Crash* (Boston, 1957) pp. 33–34.

[5] At this time the Secretary of the Treasury and the Comptroller of the Currency were *ex officio* members of the Board.

[6] Strong himself hoped that general controls could curb speculation without putting undue pressure on other parts of the market.

[7] For a complete discussion of the Board's position, see Harold C. Reed, *Federal Reserve Policy 1921–1930* (New York, 1930), pp. 136–138.

[8] Margin requirements are, of course, one method of making speculative loans prohibitive.

[9] One of the original purposes of the Federal Reserve Act had been to reduce the mone-

Thus, to Chandler, Strong was a pioneer who, without training in the theory of economics or in the practice of central banking, developed from an enlightened commercial banker into the most advanced monetary theorist and policy-maker of his time. Nowhere is this evolution better evidenced than in the history of open-market operations. In the first years of their existence, the 12 Federal Reserve Banks periodically entered the market for government securities; however, their purchases and sales were made solely to alter the composition of their earning portfolios; and nowhere does there appear to have been any recognition of the effects of these transactions on prices and the level of output. Strong was among the first to see these wider implications, and in 1922 he organized the first open-market committee to coordinate the activities of the 12 Banks. Although control of the committee ultimately passed into the hands of the Board, it was Strong who first recognized the potential power of the open market, pioneered the development of open-market techniques, and who, as a result, gave the system its most powerful anticyclic weapon.

Thus, through Strong's influence, did monetary policy develop in the United States. Although the depression of the 1930's brought with it a general disillusionment with the effectiveness of monetary controls, recent experience has shown that they form an integral part of any countercyclical policy. Such is Strong's contribution.

Professor Chandler has given a new perspective to Strong and the Federal Reserve System within the context of a maturing America and its relations with the world economy. His excellent volume provides further proof of the insights into economic development that can be realized from the studies of a first-class theorist who turns his attention to economic history; and his work will do much to provide a more balanced picture of Benjamin Strong, Central Banker.

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THE STATE AND THE INDUSTRIAL REVOLUTION IN PRUSSIA, 1740–1870. ***By William O. Henderson. Liverpool, Liverpool University Press, 1938. Pp. xxiii + 232. 37s. 6d.***

Reviewed by Fritz Redlich
Harvard University

The book under review is, strictly speaking, not of a business historical character. However, it will be useful for the English reading student of German business history, because it provides a good deal of correct background information. The latter is not derived from archival material, so as to provide data so far unknown; yet the author is thoroughly familiar with the German literature, including company histories, that deals with the Prussian economic scene in the late eighteenth and nineteenth centuries. The material, presented strictly empiricistically, is held together by emphasis on the role of government in Prussian economic development, a role comparable to that played by the respective governments in France in the eighteenth, in Japan in the nineteenth, and, albeit in the framework

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tary power of Wall Street by distributing responsibility among the 12 Reserve Banks. Strong's actions proved conclusively that New York leadership could only be usurped by a powerful central body. E. A. Goldenweiser, *American Monetary Policy* (New York, 1951), p. 274.

of a different economic system, in Russia in the twentieth century. In view of the fact that their own industrial revolution was carried almost exclusively by businessmen and because of their distrust of what they call "bureaucracy" Americans are prone to forget about that important potential function of government action as an agent of economic development in underdeveloped areas. Secondary emphasis on the entrepreneurial element in the Prussian industrial growth contributes to the book's usefulness for business historians.

Henderson's "heroes" are the great Prussian statesmen or government administrators: Reden, Stein, Vincke, Motz, Beuth, Rother, and von der Heydt. By discussing their achievements the author brings into focus the Prussian iron and steel industry, her coal mining, banking, railroading, and a number of other industries.

The book is accompanied by maps excellent because of their simplicity.

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ECONOMIC CHANGES IN THE BAKING INDUSTRY. ***By Charles C. Slater. Chicago, American Bakers Association, 1958. Pp. 73.***

Reviewed by Frederick W. Kohlmeyer
University of Illinois

In this supplement to *Baking in America*, the two-volume study published by Northwestern University Press in 1956, the author analyzes the industry's response to recent external changes of a revolutionary nature. The consumer, a king indeed, has decreed far-reaching changes by purchasing less bakery products (reflecting higher family incomes), and by changing his preferences and shopping habits. An even more profound impact is dealt by changed patterns of wholesale and retail distribution. Chain supermarkets with "captive baking plants," independent food warehouses distributing to affiliated retailers, private label bread, dock selling, and the like have seriously undermined the wholesale bakers and their truck-driver commission salesmen. Technological changes — the use of freezers which makes bakery goods less perishable, improved handling techniques, and a longer distributive radius from individual bakeries — have reduced labor costs, and favor the larger production units. Meanwhile, the industry is struggling with excess capacity and intensified competition, and is in the throes of "a transition toward lower distribution costs and fuller plant utilization" (p. 72). The changes in food wholesaling and retailing affect other food processing industries as well as the bakeries.

The conclusions reached in this supplementary volume amplify rather than modify the findings of the earlier study. Trends which a few years ago were "seen as through a glass darkly" are, as shown by the additional concrete evidence presented, now focussed in sharper relief.

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HISTORY OF THE GEORGIA POWER COMPANY: 1855 TO 1956. *By Wade H. Wright. Atlanta, Georgia, The Company, 1957. Pp. 386.*

Reviewed by Harris Proschansky
Bronx, New York

"The story of the electrical industry is one of unfolding knowledge and accumulating experience. More specifically, it is a story of evolutionary processes in the generation, transmission, and utilization of electrical energy; in financing the ways and means for the construction, acquisition, integration, and expansion of such facilities; and in the method of operation — all within the sphere of governmental regulation." In this passage contained in the foreword, Wade H. Wright also summarizes succinctly the emphases in subject matter of his history of the Georgia Power Company and its predecessors from 1855 to 1956. Mr. Wright is well acquainted with developments in these companies by virtue of his 46 years of service with them in various top management positions. His account of the Georgia Power Company is concerned primarily with the vicissitudes of a central station electric light and power company. Since the firm had, however, such close connections with related gas and transit enterprises, the work also devotes not inconsiderable attention to them up to the point of their sale by the company to other firms in recent years.

The evolution of the Georgia Power Company into a state-wide enterprise is fully traced. In the formative stages of the development of the electric light and power industry in Georgia, there was a welter of small companies each having their separately owned generating stations and individual types of facilities, as well as individual rate schemes. Through a successive process of consolidation and merger, the company was instrumental in connecting up and unifying the various types of facilities and standardizing the quality of service. These mergers resulted, in most instances, in a sharp reduction in the rates for electric services, general enhancement of efficiency in service, and sizable economies in costs.

Attention is devoted to technological innovations which accompanied and had momentous effect upon the development of the company. That the technological changes helped to produce concomitant alterations in business organization is evident. That they also advanced the standard of living of the consumer and aided manufacturing enterprise are also abundantly demonstrated.

In 1927, eight years before the advent of the Rural Electrification Administration, the company had added a Rural Lines Division. The task of this unit was to extend the benefits of electrical appliances to rural homes. The firm was well aware of its obligations to the rural communities within the sphere of its operations.

The author is favorably disposed to holding companies, which were of no small assistance to the company. Since the formation of the Georgia Power Company in 1927, the parent companies were the following, in the order named: Southeastern Power and Light Company, Commonwealth and Southern Corporation, and the Southern Company. Their services were of considerable value in connection with the sale and refinancing of the company's securities, in engineering studies and design, in legal and accounting services, especially in connection with proceedings

before the Securities and Exchange Commission, and in aiding the financing of the construction program in recent years.

There is rare mention made of the administrative setup of the firm and the decision-making processes and procedures. If there were changes in the administrative framework of the concern — and it is presumed that there were fundamental changes over the years — the reader would not be aware of them, since the author exhibits a regrettable reticence on this matter.

As a chronicle of outstanding events and a summary of major trends manifested in the history of the firm, this study is a workmanlike job. Its value to the business historian would have been enhanced by more stress on interpretation. Mr. Wright, with his vast experience and intimate knowledge of the vicissitudes of the firm, would have been in an excellent position to furnish clues as to the causes and significance of developments on the Georgia scene.

Failure to annotate his material and to supply a bibliography are disappointing to the business historian. So is the author's neglect to discuss the sources of information in the company depositories.

While the volume is designed first and foremost for popular consumption, it should be of value to the business historian. In addition to furnishing information on developments in the electric light and power, gas, and transit industries in Georgia for the period 1855 to 1956, it also illuminates the business ethics of the author and like-minded public utility executives. As a businessman occupying high policy-making positions with the company, he was manifestly imbued with commendable zeal in protecting the interests of the public while serving his firm with loyalty and competence.

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BLACK DYKE MILLS: A HISTORY. ***By Eric M. Sigsworth. Liverpool, The Liverpool University Press, 1958. Pp. xvii + 385. 35s. 0d.***

Reviewed by Barry E. Supple
Harvard Graduate School of Business Administration

Leeds University has undertaken the salutary task of using such business archives as survive to trace the history of the wool textile industry during the nineteenth century. Mr. Sigsworth's book is the first full-scale study to emerge and, as is usual when a company's available records are more suggestive than adequate, the result is both interesting and frustrating. *Black Dyke Mills* concerns one of Britains largest worsted manufacturing firms, John Foster and Son Ltd., in the years before 1891, when it operated as a private partnership. John Foster and Son, of Queensbury, in the West Riding industrial area, was founded in 1819. Starting as a business primarily involved in "putting-out" purchased yarn to handloom weavers, it centralized the manufacture first of yarn and then of worsted cloth in a steam-powered factory. Steadily, all the processes of worsted production were integrated and mechanized, and the firm, selling yarn and cloth in England, Germany, France, Scandinavia, and America, more than matched the growth of the worsted industry. By 1867 it handled a

in legal and accounting services, especially in connection with proceedings

capital of nearly £1,500,000, consumed between a third and a half of alpaca imports into Great Britain, and enjoyed a deserved international renown.

The partnership illustrated an integration of processes and a diversification of investment which will come as a surprise to readers nurtured on the concept of specialization under industrial capitalism. The small-scale coal mining, farming and shop-keeping of its founder were not abandoned with his industrial debut, and the first two were expanded as time went on; combing, spinning, weaving and dyeing were speedily brought together under one management; the firm supplied its own coal, gas, soap, grease, dyes, bricks, machinery, and repairmen; having built up profits to a point where they were more than sufficient to finance expansion, the partners channeled them into domestic and foreign securities, so that by 1867 the business held almost £700,000 worth of stocks and bonds; huge landed estates were purchased, and debited to the accounts of individual partners; and the most spectacular illustration of the entrepreneurial complex is afforded by the agreement of 1891, by which the partnership became a private company [p. 187]:

> The objects for which the Company is established are:
>
> (1) To acquire . . . the undertaking and business as Spinners, Manufacturers, Merchants and Bankers.
>
> (2) To buy, comb, prepare, spin, dye and deal in silk, cotton, wool, hair, alpaca, flax, hemp, jute, mohair, and other fibrous substances and to manufacture and deal in woven fabrics and textile fabrics of all kinds and to carry on business as Bankers, Merchants, Millowners, Woolstaplers, Combers, Doublers, Spinners, Manufacturers, Soapmakers, Makers of Vitriol, Bleachers and Dyers' Materials and as Dyers and Finishers and to manufacture, sell and supply coal, oil, water and other gas, steam or water heat, and electric light and force and to deal with and render saleable coke, coal, tar, asphaltum, ammoniacal liquor, and other residuary products obtained in the manufacture of gas, and to carry on business as Mechanical Engineers, Manufacturing Chemists and Druggists and as Colliery Owners and Metallurgists, Brick and Tile Manufacturers, Farmers, Builders and Contractors.

Here was no ordinary plodding firm — or family. And, indeed, the growth of the Fosters' diversified economic power was matched by their accumulation of social prestige. A tightly knit family grouping (a partnership agreement of 1886 involved 10 male Fosters), they had, by the 1860's, achieved the sort of coalescence with the landed gentry which perennially undermines one's ideas as to England's rigid social stratification. And if their country seats included a £200,000 castled estate, they displayed none of the vulgar brashness of the *nouveaux riches.* They were the successful and respectable Victorian businessmen writ large — the new men of the nineteenth century, an aristocracy sprung from a bedrock of coal, iron, and textiles. A business history could tell as much about them, their enterprises, and the economic developments which helped shape modern Britain.

In fact, however, *Black Dyke Mills* can throw little light on the crucial elements in this story. The surviving records give little insight into the

administration of the firm, into the more dynamic features of its evolution, into the processes of decision-making, or into the relationships of the men behind the decisions. And Mr. Sigsworth, although he is sometimes overly sanguine — as, for instance, when he promises to illuminate "the day-to-day workings of the businessman in his struggle for survival" — fully appreciates this. Indeed, over one-third of the book is a general history of the nineteenth-century worsted industry: a survey whose merits, which are real enough, would have been considerably enhanced had the author not relied so intensively and continuously on direct quotations from secondary works. These three introductory chapters provide an essential background for the sections on John Foster and Son. The business history portion of the book has its strong and weak points. We can, in part, trace the shifting international pattern of business arrangements which secured raw materials and distributed manufactured goods; the volatile influence of fashion is fully apparent; evidence is provided that the ploughing-back of profits was not necessarily associated with any Puritan entrepreneurial frugality; and there are stimulating passages on the firm's connections with the German industrial markets for yarns, on the competition and combination which marked the purchase of alpaca and mohair by the oligopolists of the mixed worsted industry, and on the American bond market, into which the Fosters plunged with the aid of their New York agent. But in many respects, for all its virtues, this is a business history without very much business, and for long passages without businessmen. We see too little of the men behind the façade, the quality and processes of management, the rationale of development, or the significant relationships between men, machines and output which made the firm what it was. To a great extent these faults lay beyond the author's control. Yet it is a pity that Mr. Sigsworth did not attempt to pull together those strands of technology, finance, diversification, procurement, distribution, and growth with which he deals so commendably on an individual basis. In this way he might have partly compensated for his lack of data.

At its best, company history can bring a fresh realism to the story of economic evolution — it can tell us why things really happened as they did and, by introducing the personal element, can touch cords of human understanding. *Black Dyke Mills* hardly does so — and its author appreciates this by claiming no more than that it provides some "studies" rather than "the history" of the company. And yet so little has been written about the dynamic men and events which lay behind the familiar economic aggregates of Victorian England that this book is far from a failure. Through it we can catch a worthwhile, if blurred, glimpse of the businessmen and the factories so important in their society, but for so long relegated to an undeserved anonymity.

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MEN AND MACHINES: A HISTORY OF D. NAPIER & SON, ENGINEERS, LTD., 1808–1958. ***By Charles Wilson and William Reader. London: Weidenfeld and Nicolson, 1958. Pp. 187. 35s.***

Reviewed by James H. Soltow
Harvard Graduate School of Business Administration

For almost a century and a quarter, three generations of Napiers successively owned and managed what was essentially a family business, making printing machinery, precision equipment, automobiles, and aircraft engines at various times. In this study, Messrs. Wilson and Reader have focused sharply on policy-formulation and decision-making, placing considerable emphasis on the significance of three critical turning points in the evolution of the firm. At each of these points, a Napier made a key decision which was to have far-reaching effects.

The first of these major decisions, made in the mid-nineteenth century, was in a sense a negative one. Although the prosperity of Napier's engineering firm rested from 1820 to 1850 on its business in printing machinery, manufacture of the rotary press which had been developed in the 1840's would have required a shift to heavier engineering work than previously undertaken as well as a larger capital investment. Therefore, David and his son, James Murdoch, who became a partner in 1847, decided to maintain the firm's basic character as a producer of specially engineered precision machinery (into which category printing machinery had fallen previously) by not going into the production of rotary press equipment. Thus, the Napier works for much of the rest of the nineteenth century turned out special machines for such purposes as high-grade printing of bank notes, weighing and making coins, and manufacturing weapons.

The third generation, in the person of Montague Stanley, assumed in 1895 the ownership of a business that had declined sharply in the previous two decades because of James Murdoch's increasing eccentricity in old age. At this point occurred the second major turning point in the history of the firm, when young Napier decided to manufacture automobiles. Within a decade, Napier cars covered the entire price range. To the elite of three continents, the company sold its six-cylinder models, which carried price tags of as much as £2,500 for chassis alone. At the other end of the scale was the two-cylinder, ten-horsepower car for £225 up. From 1906 to 1913 (the years for which data are presented), the factory, which manufactured many of the component parts as well as assembled the finished chassis, turned out slightly over 5,300 units, including over 3,600 pleasure cars, almost 1,500 taxis, and some 200 trucks and other business vehicles.

At government direction, the Napier works manufactured aircraft engines during World War I. This led to the third critical decision in 1918–1919 — to abandon auto-making, which had become a mass-production industry, and to concentrate on aircraft engines, enabling the firm to capitalize to a greater extent on its special engineering skills. The *Lion* engine, developed by Montague during the war, found civilian as well as military uses and helped the company to assume a position of leadership in the industry. This was a business with considerable risk, as Napier discovered when he expended considerable effort to develop the one

thousand horsepower *Cub* for a single-engine plane just before it became apparent that aircraft requiring this much power would be multi-engine craft.

Montague's death in 1931 marked the end of Napier family ownership. Management installed by a London investment banking firm guided the company through the depression but was not entirely able to meet the problems resulting from rapid expansion in the early war years. Thus, in late 1942 Napier's "passed within the more ample organization of the English Electric Group."

The common theme of the Napier firm during three generations was an emphasis upon engineering and a dislike "for the mass market and everything to do with it." This was true even of the entry into the automobile industry. To Napier, each car was an "individual piece of engineering." The Napiers seemed most satisfied when they were producing for government — mint and arsenal equipment in the nineteenth century and aircraft engines in the twentieth. As Montague Napier noted in 1919, he preferred to "specialize in an article which is not sold upon a competitive price but upon the brains put into it and its up-to-date development."

While the authors give careful attention to policy, they tend to neglect the financial and labor sides of the business. This no doubt is due in large part to the relatively few records available for the years before incorporation in 1906. The bibliography lists only an incomplete sales record for 1832–1885 and photographs and drawings. But the authors made use of an unpublished history of the firm, written in 1922 by an employee who had access to some records since lost and who had apprenticed in the Napier works in the 1880's. Thus, there are no financial data for the nineteenth century. The authors present figures for annual profits from 1906 to 1942 (obtained presumably from the minutes of board meetings and reports of annual mettings) but no statements to show how these profits were realized. Nor do data on annual sales volume appear anywhere. Mention is made of the number of workers at widely separated dates, but there is no analysis of year-to-year variations in employment. There are references to occasional labor disputes and to J. M. Napier's policy of firing individuals (by placing in the pay envelope a slip with the word "dismissed"), but there is little information on such matters as wage rates and bargaining with workers.

Questions about management succession also are left pretty much unanswered. Since James Murdoch was a younger son and Montague Stanley, the fourth son, died in 1931 with issue, one might ask what happened to the Napiers who did not participate in the business. The authors hint at something of a management crisis with the expansion of operations in 1940–1942, but they do not spell out the specific problems which executives met when the size of the firm grew rapidly.

The brief discussion of Napier's role within English Electric since 1942 is perhaps necessarily sketchy. Emphasized here are the advantages in marketing and finance which Napier's derived from the merger. The authors point to the risk that individual initiative and inventiveness may be dulled within the large corporation, but they balance this against the ability of such an organization "to gauge or anticipate the demands of the market and then, having produced goods to match, to bring them to the

notice of customers — actual or prospective — by salesmanship and advertising." This would seem at best to oversimplify the complex process of developing and marketing new products.

On balance, Messrs. Wilson and Reader have given us a very readable and enlightening company history, one in which the emphasis on policy-making outweighs the quantitative weaknesses indicated above. Most importantly, they make the Napiers live and clearly demonstrate the impact of the personalities of these highly individualistic entrepreneurs upon the course of their enterprise.

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THE RESPONSE TO INDUSTRIALISM, 1885–1914. ***By Samuel P. Hays. Chicago, Chicago University Press, 1957. Pp. ix + 211. $3.50.***

Reviewed by George Sternlieb
Harvard Graduate School of Business Administration

The several decades preceding the First World War have received increased attention from American historians in recent years. Such analysts as Eric F. Goldman (*Rendezvous With Destiny*, Knopf, New York, 1956) and Richard Hofstadter (*The Age of Reform*, Knopf, New York, 1955) have studied the puzzled response of Americans to the dynamics of post-Civil War growth and development.

Professor Hays, in the same tradition, has made a considerable contribution to the "Chicago History of American Civilization" series. His specific focus on the response to the industrial growth which characterized the period makes possible a relatively clear approach to a very complex time. A swift succession of chapters carry the reader from the rise of industrialism and its impact on urban life to the growth of organized resistance and finally (to use the author's phrase) to the "politics of adjustment."

It is perhaps the narrowness of approach which is apparent in the book. The rise of industrialism is seen as the root of all the evils of the period.

> To the uncritical observer, the record of industrialism has been written in the production statistics, the accomplishments of inventor-heroes, and the rising standard of living of the American people. Even more significant, however, were . . . : the expansion of economic relationships from personal contacts within a village community to impersonal forces in the nation and the entire world; the standardization of life accompanying the standardization of goods and of methods of production; . . . a feeling of insecurity as men faced vast and rapidly changing economic forces that they could not control; the decline of interest in nonmaterial affairs and the rise of the acquisition of material wealth as the major goal in life. . . .

Although achievements in the fields of distribution and industry are cited, they are set against a dismal picture of the squalor of cities whose growth they both demanded and made possible. Professor Hays' approach implicitly conjures up a preindustrial Golden Age — shattered by the machine which converted happy yeomen to urbanized prey of the "impersonal market."

The difficulties and privations of many of the immigrants who flocked into the United States at this time are clearly indicated. The population flow is linked by the author to the glowing pictures drawn by "agents of American employers in search of cheap labor" — and ticket sellers representing the railroads and steamship companies. This is a fairly familiar convention in American historical writing. There can be no question that the "hard sell" influenced many potential immigrants. It is equally true, however, that difficult though the transition might be, the very growth of industrialism which Professor Hays deplores made jobs possible for the immigrants. The great majority of the latter had received too many letters from overseas predecessors, had talked to too many successful and unsuccessful returned emigrants to have many illusions as to the conditions which they would experience. Despite the periodic recessions which blighted the period, the *jobs* were there for them. These often entailed working conditions, horrible by current standards, but in terms of contemporary measures were far better and more promising than those which were available in the "home country." In this sense at least, industrialism furthered the vision of the United States as a true land of opportunity.

The reader's pleasure with Professor Hays' evident scholarship and painstaking research is lessened by this feeling of "inhistoricalness." We cannot comprehend the developments of the past by scrutinizing their virginity by present-day conventions.

The challenges of industrialism and of the "bigness" which is its concomitant; the fitting of them into a political framework which has its roots in an agrarian past, are problems with which we still wrestle today. It is essential in confronting these problems to understand their historical basis. This is equally true whether we wish to understand present-day farm surplus problems or antitrust actions.

It is unfortunate that Professor Hays' fine contribution should be marred by a deficiency in evaluating events within the context of their times.

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THE OIL CENTURY: FROM THE DRAKE WELL TO THE CONSERVATION ERA. ***By J. Stanley Clark. Norman, University of Oklahoma Press, 1959. Pp. xv + 280. $3.95.***

Reviewed by Gerald T. White
San Francisco State College

Drake, Titusville, and the American oil story are matters that are much before the public in this centennial year of the petroleum industry. Within about 100,000 words, Mr. Clark has recounted a good deal of that story. He has stressed especially the producing side, though he has paid some attention to developments in transportation and, occasionally, in refining and marketing as well. His special interest, as his subtitle suggests, is in the movement in this century that has changed oil producing from a sometimes seething anarchy under the "rule of capture" into a disciplined affair, marked by improved technology and a web of regulations that has come from the interaction of the industry with governments

of the states and of the nation. Insofar as bias shows through, Clark's account favors the small producer.

Approximately one-third of *The Oil Century* deals with events primarily prior to 1865, and one-half with events primarily prior to 1880. It is in the period before 1865 that Clark is at his best. He has drawn with profit on some of the early writers, like Edmund Morris, on the researches of Paul Giddens, and on his own examination of several newspaper files in the Oil Regions. His narrative is clear and uncomplicated; he shows a keen eye for the colorful quotation, and he has supplemented his text with some excellent photographs.

The remainder of his book consists of an overarching chapter covering the years from 1900 to 1950, about half of which is devoted to the two World Wars, and more specialized chapters dealing with the conservation theme, including a final one concerned in part with imported oil. In describing the conservation movement, the struggle eventuating in the Interstate Oil Compact of 1935 inevitably looms large. Perhaps because of difficulties in organizing the material and because of the detail encumbering many of the pages, this part of the work is less satisfactory.

Clark's bibliography shows some curious and notable omissions of books that might have helped him after the industry's infant years. For example, the biography of John D. Rockefeller by Allan Nevins is not listed in either edition, nor is the first volume of the intensive history of the Standard Oil Company (New Jersey) by Ralph and Muriel Hidy, nor the second by George Gibb and Evelyn Knowlton. The history of Shell by Kendall Beaton is likewise missing. Giddens' history of the Standard Oil Company (Indiana) is listed along with a brief account of The Texas Company by Marquis James, but only the latter is cited in a footnote.

This is unfortunate. It leaves Ida Tarbell as the last word on how the Standard organization was put together prior to 1880 despite the work of Nevins based on the Rockefeller papers. It leaves no place for the findings of Nevins and the Hidys during the three almost blank decades in *The Oil Century* from 1880 to 1910. And it deprives Clark of the clear and well-written treatment of the conservation movement to be found in Beaton, and of material on the movement of its early phases to be found in Gibb and Knowlton.

The geographic area most neglected in *The Oil Century* is California. In spite of the fact that California was the nation's leading oil state in 15 of the years from 1900 to 1930 and still stands second to Texas in cumulative production, developments there receive little attention. For example, the great oilfield at Midway, surpassed only by East Texas in cumulative production, is nowhere mentioned. And when data is offered about California, it frequently seems ill-chosen or in error. The production of 180,000 barrels credited to California in 1880 (p. 104) is higher than the 150,000 barrels cited on page 95 and much higher than the commonly accepted figure of 40,552 from the United States Geological Survey. Clark mentions a minor field, Barksdale [Bardsdale] as discovered in 1894 (p. 132), but finds no place for the chief California field of the 1890's, the Los Angeles City field, that launched Doheny on his career, nor for the two most important fields at the end

of the decade, Coalinga and Kern River. In California, too, numerous locomotives and sugar refineries were using fuel oil well before 1901, the date Clark cites as marking their advent (p. 131).

At times errors in proofreading mar the book. The United States Geological Survey first recommended that public lands be used to set up oil reserves for the Navy in 1908, not 1900 (p. 148); the discovery well for Bahrain came in 1932, and not between 1936 and 1939 (p. 229); the year American oil imports first exceeded oil exports is given as 1947 (p. 240) and 1948 (p. 245); and the date for the restriction on imports described on page 252 is obviously 1957 instead of 1958.

Mr. Clark's idea for celebrating the oil centennial was a sound one. The uninitiated, reading *The Oil Century*, will gain some insight into the industry, but it is regrettable that the author worked so rapidly and at times rather carelessly. With greater effort, he might have produced a book that could have served the layman better and the specialist as well.

CONTENTS

(continued)

In this issue

3

AUTUMN 1959

VE RI TAS

IN THIS ISSUE

- Tempo of Mercantile Life
- A Railroad for Turkey
- Business Responsibility
- Development of Personnel Management
- Lincoln Telephone Company
- OVER THE COUNTER
  Reports and Notes
- Petroleum Bibliography
- Newcomen Awards Announcement
- Book Reviews

ARTICLES SUMMARIZED ON BACK COVER

BUSIN

HISTORY R

PUBLISHED BY HARVARD UNIVERSITY GRADUATE SCHOOL OF BUSINESS ADMINISTRATION

BUSINESS HISTORY REVIEW

COVER: Colonial Dock Scene
Page 277: Colonial Boston Harbor. Courtesy Baker Library, Harvard
Page 300: Market Scene in Old Turkish Empire
Page 345: Hogarth's "The Industrious 'Prentice.'" Courtesy Baker Library, Harvard
Page 365: First Phone in Lincoln (1879). Courtesy Lincoln Telephone Company
Page 429: Oilfield Scene, West Virginia, 1865. Courtesy Baker Library, Harvard

BUSINESS HISTORY REVIEW

CONTENTS

(continued on next page)

PUBLISHED QUARTERLY BY THE HARVARD GRADUATE SCHOOL OF BUSINESS ADMINISTRATION

VOLUME XXXIII, NUMBER 3 AUTUMN 1959

C O N T E N T S

(continued)

(continued on inside back cover)

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The Tempo of Mercantile Life In Colonial America

This study of the working habits of early American businessmen focuses on long-forgotten details that help clarify methods of the day and suggest that business in colonial times had not yet become an end in itself nor a dominant means for self-expression.

by Arthur H. Cole

PROFESSOR EMERITUS
AT HARVARD UNIVERSITY

A dimension of entrepreneurial life for which we possess few data is that of the pace or pressure of activities. The modern businessman, especially the American specimen, is supposed to be subject to nervous strains and frequently the victim of certain occupational diseases; but we know little about the conditions encountered or endured by his predecessors, let alone those sustained or enjoyed by entrepreneurial figures of previous

periods in countries other than our own. Was the merchant of our colonial ports more, or less, "driven" by his occupation than the American industrialist of the mid-nineteenth century, the banker of 1900, or the chain-store executive of the present day? Was our colonial merchant or his counterpart in London more, or less, active than contemporary traders in Amsterdam, merchants of sleepy Moscow, or the shopkeepers of never-changing Baghdad? If variant, how greatly different? Such questions could be answered only with much research and only with rough estimates. However, I do believe pace or tempo constitutes an important feature of business life, and I propose here to present data upon the time scales of merchants in the decades around 1750 in our port towns. Perhaps other scholars will find it possible and interesting to assemble and arrange corresponding information relative to other times and other climes.[1]

For the early American case, there is, of course, little direct evidence. Especially unfortunate is the circumstance that the merchants of that era and location seem rarely to have posted their experiences in diaries; at least few such diaries have survived for our use. Most of my data will be "circumstantial," indirect, tangential; but the aggregate appears to yield a fairly clear picture.

Perhaps I should first specify what I mean by "merchant" in this context. I do not need to repeat what is broadly understood: that he was located in the larger coastal towns; that he was concerned primarily in foreign commerce; that he often dealt in a considerable miscellany of goods, from laces to rum; and that his business was largely of a wholesale character. He did deal in small retail quantities, but already there were retail "country" stores established by the middle of the eighteenth century in the villages of the region, and there were specialized retail shops in the larger towns. I am here ignoring the smaller traders.

Organizationally the "merchant" was still a pretty simple phenomenon. Typically he operated alone, that is, in single proprietorship, although not infrequently he joined one or more other mer-

[1] The ensuing article may well be viewed as an extension of the excellent article entitled "Success and Failure Factors: American Merchants in Foreign Trade in the Eighteenth and Early Nineteenth Centuries," by Professor Stuart Bruchey, published in the *Business History Review*, Vol. XXXII (Autumn, 1958), pp. 272–292. It was cast in its present form before I read Professor Bruchey's argument. I should also note that this present article owes much to the affection for statistical measurement that my research assistant, Miss Ruth Crandall, has carried these many years. In connection with an inquiry on a related subject which she undertook a decade ago, she put together several of the series which I have only recently gotten around to examining, and which encouraged me to seek additional ones — and so to prepare this article.

chants in a short-run joint venture of ship ownership or mercantile transaction. And his staff hardly rivaled that of John Wanamaker or Richard Sears. He would probably have a clerk who "kept the books," copied letters into a letter book for permanent recording, and waited upon customers when the proprietor was out at the coffee house. Sometimes the merchant might have both a clerk and a bookkeeper-scrivener, and he might be blessed with young relatives on whom he would call, perhaps at little cost. Henry Lloyd of Boston had a couple of nephews whom he sent off on errands.

In general, the establishment operated by the colonial merchants seems to have been less like a country store, as Baxter characterized the Hancock emporium, than like a warehouse. Goods arrived in sizable, variegated quantities, and were sold off gradually over a period of months or years. The Browns of Providence Plantations did much of their foreign business in the form of "ventures"; the records of their enterprise still contain scores of bundles of documents arranged in this manner; and these records indicate that "ventures" – even after 1790 – were not wound up for appreciable periods after the return of the pertinent vessel: the goods brought back were not yet sold in sufficient volume to permit a reasonably close calculation of profit or loss. In the meantime the goods lay in the "warehouse," as I have called the central shop. (To be sure, ventures would be held open also by the slowness of obtaining returns from the goods shipped abroad.)

However, there was a dimension to the work of the export-import merchant which should not be overlooked. While he did have help from his London or other foreign correspondents, he had few, if any, local ancillary institutions on which to lean: banks, insurance companies, labor exchanges, etc.

• • •

The actual amount of work done in such establishments can be estimated but rarely. In some cases the appropriate books of account have not survived, while authors of company histories or businessmen's biographies have not thought the significance of the figures upon sales to be worth the labor of counting up the transactions as they appear individually in the day books or ledgers of the enterprise. Even in the uncommonly rich Hancock materials, there were a couple of defects in the series of account books, which prevented Baxter from presenting a continuous picture.

Baxter does give summations by years – even by months – of the quantities of "credit sales," that is, sales that were charged to cus-

tomers. (Baxter seems to have counted all entries in the "journals" except payments of debts and those relating to goods put into the hands of "manufacturers.") At all events, data are offered of these credit sales for the years 1755–1757, 1759–1762, and 1764–1775. The last three years – 1773–1775 – manifest rather rapidly declining business, and the figures for these years should surely be ignored if one is seeking to cover normal activities only. For the remaining 16 years, the credit sales averaged 778 per annum or 15 per week. It is somewhat difficult to imagine Thomas Hancock and his clerk being very busy while they were carrying through two or three transactions each weekday, even if some of the sales were sizable.

In the Brown collection at Providence the day books are more satisfactory for the years after the French and Indian War than for those earlier; and actually the evidence for the years 1767–1772 was examined. By use of sampling technique, it was estimated that the average daily transactions were as follows:

1767	31	1770	40
1768	28	1771	33
1769	38	1772	31

The mean for the whole period is 32 and, even with allowance for the fact that three brothers were engaged in the mercantile operations, obviously the shop of the Browns was a busier place than that of Thomas Hancock appears to have been. However, the transactions at Providence were very largely retail, and even 40 such actions per day would not keep a single clerk in a heavy perspiration.

* * *

Another element in merchants' activities that is susceptible of quantification, at least of a rough sort of measurement, is their correspondence. This element has two or three aspects: how many letters did the men write? how many did they receive? how promptly did they attend to their incoming messages? how rapid was the course of communication between important centers? The amount of information on these several points varies in bulk, and is not altogether self-consistent. However, one can, I believe, grasp the general nature of the processes.

Outgoing correspondence can be appraised with modest accuracy from the letter books that have come down to us, volumes into which such outgoing messages were transcribed laboriously for centuries, until finally the letter press was devised in the early part of the nineteenth century. The letter books of our colonial merchants, to be

quantities of "credit sales," that is, sales that were charged to cus-

sure, are not simon-pure mercantile materials. To some extent they contain letters which their owners wrote in other capacities or activities, e.g., as politicians or public figures in the affairs of the colonies. Also some of the letters contain a mixture of business and other matters. At all events, I have included all letters in my counts of the several series on the theory that if a man, primarily a merchant, had to write a certain number of letters as a member of the governor's council or in any similar capacity, that activity did result in his being more pressed in his mercantile role.

I have utilized seven series of manuscript or printed letters. They are as follows:

The letter books of Thomas Hancock of Boston, which cover ten months of 1736 and the whole years of 1737–1739 and 1746–1754.

The letter book of John Rowe of Boston, which gives one a record for the full years 1760 and 1761 only, although extending somewhat into neighboring years.

The printed letters of John Watts of New York, which cover the four years, 1762–1765.

The manuscript volume of Henry Lloyd of Boston from which we can secure data only for the two calendar years 1765 and 1766.

The letters preserved in the Brown collection at Providence.

The printed letters of James Beekman of New York, 1767–1771.

The printed materials of John Norton & Sons, who had their American station in "York Town," Virginia.

The data from these various sources are given in Table I.

I am not able adequately to account for the substantial divergences among these series. Differences in the length of the individual letters do not seem a satisfactory answer, although it is true that Henry Lloyd's letter book contains a higher proportion of brief messages than the letter books of the other merchants, even occasionally as brief as a couple of lines. Again, Thomas Hancock apparently meant to have only those letters bound for foreign parts copied into his correspondence volumes. James Beekman followed almost the same practice; and some of the other merchants may have ignored some domestic letters. But did not foreign letters comprise the greater bulk of their writing? In general, Lloyd seems furthest out of line. He is reported to have been a man of exceptional energy (although this characteristic may have been derived merely from the number of letters that he wrote or that he had put into his letter book — and then we haven't made much of an advance!); he may have been a fastidious man, and so caused a larger proportion of his

letters to be preserved in his letter book; and surely he was tied in with a number of correspondents in other American ports as well as men in the West Indies and in England. He functioned more as a factor or agent of these other merchants than as a self-sufficient merchant himself.

TABLE I

NUMBER OF LETTERS SENT OUT BY SPECIFIC COLONIAL MERCHANTS
(Annual Averages)

	Hancock	Rowe	Watts	Lloyd	Brown	Beekman	Norton
1737–39	25						
1746–49	93						
1751–54	68						
1760		211					
1761		197					
1762			130				
1763			109				
1764			104				
1765			104	577	209		
1766				658	284		
1767					368	31	7
1768					411	30	28
1769					376	29	23
1770						43	21
1771						37	18
Annual Average	62	204	112	618	330	34	19

Leastways, I am disposed to put the typical number of outgoing letters as perhaps 200–300 a year, or roughly four to six a week. Again, this quantity of work would not appear to have placed a heavy burden on an able-bodied merchant, even if letter-writing was a more laborious process than in recent days of stenographers, dictating machines, and the like. Even the highest figure, that of Henry Lloyd in 1766, would yield in average of only 13 outgoing letters a week.

An appraisal of the volume of incoming correspondence is subject to the hazard that some proportion of the original receipt was subsequently lost or destroyed. No filing system was evolved in the business world beyond the bundling up of each year's letters — and that practice was employed infrequently. Pasting of letters into scrapbooks had to await the middle decades of the nineteenth century, and the filing cabinet the last decades of the same period.

Accordingly, one may well be skeptical of the record of the Norton Company of Virginia already introduced. To be sure, their

outgoing correspondence did not rise to great numbers of messages, an average of only 20 per year in the period 1768–1771; but the incoming stream was a mere trickle, less than four letters per annum over the same interval.

James Beekman of New York did much better – as many as 37 incoming letters per annum in the 1766–1771 period – while the Hancock enterprise received a still greater number of letters, or preserved more. Here I have secured a breakdown by origin:

TABLE II

NUMBER OF LETTERS RECEIVED BY THOMAS HANCOCK

(*Per Annum by Decade*)

	1730's	1740's	1750's	1760's
Domestic	3	6	39	49
Canadian	1	28	91	89
Foreign	11	35	44	86
Total	15	69	174	224

Again it is obvious that the quantum of correspondence was not heavy.

The volume of incoming letters ranged higher at the Browns' establishment, at least by the latter 1760's. In the years 1765–1769, the number per annum averaged 336. Conceivably this is a minimum figure; this many have been preserved.

Data on the promptness with which merchants attended to their correspondence are yet less abundant. Frequently, to be sure, merchants do commence their letters by reference to the message to which they were responding, but only rarely do they indicate likewise the date on which this incoming message had arrived; and, as will be established shortly, the period of ocean transit for letters was quite too varied to allow for good estimation. Again, our colonial merchants quite rationally spaced their letter-writing to some degree in relation to the prospects of the messages being started on the way to their destinations. They waited until a vessel was almost due to leave their port. Thus John Smith, in one of the diaries quoted below, makes an entry for March 12, 1748: "Busy in writing letters per Burk who sailed this day for London. I wrote but one letter of friendship." [2]

The Norton materials, however, do provide more precise information. The head of the establishment at Yorktown, or his clerk,

[2] *Hannah Logan's Courtship*, edited by Albert Cook Myers (Philadelphia, 1904), p. 182.

was meticulous enough to record on the backs of the individual letters — probably letters folded preparatory to being put into bundles — the date when the letter was written, that when it was received, and that when it was answered. At least he did so on a goodly proportion of the letters that survived and were published 20 years ago under the editorship of Frances Norton Mason; and the editor was meticulous enough to reproduce these "endorsements" in the printed volume. These data show, with respect to 24 letters, that ten were answered during the same month, ten during the succeeding month, two the second succeeding month, and two still more tardily. Their London correspondents were still less prompt — and of course delay on that end must have slowed up activities at the Virginia post. Pertinent information is provided with regard to 86 letters from Yorktown to England. Of these messages, 21 were answered the same month, 24 the succeeding month, 12 the second succeeding month, and as many as 29 three to six months after their arrival in London!

• • •

In strict logic, perhaps it should have made no great amount of difference whether the cycle of correspondence between an American port and any given foreign one was lengthy or rapid. To be sure, there was bound to be a little more uncertainty wrapped up in a correspondence period of six or eight months than in one of six or eight weeks, given the basic constitution of the world and the nature of human beings. There might well have been a psychological "side effect." With no cable facilities, regularized mail services, or even clipper ships, the zeal of merchants must have been much damped down by an appreciation of all that could well have happened in the distant market, between the time of the dispatch of the last letter from foreign correspondents and the time when, prompted by that letter, a ship from America could be fitted out, loaded, and sailed to the particular foreign mart. And, of course, the vessels with letters or goods *might* be at the bottom of the sea.

Secondly, there was the element of irregularity. Baxter reports the typical length of time required for the exchange of letters between London and Boston — a prime route in the colonial days — to have been four months. This seems to be correct; but that is at best a modal figure. There was a spread in the possibilities which such a merchant would surely have taken into account. It is obvious from Table III that, while such a merchant might be fortunate enough to obtain a letter in five weeks in the east-bound leg of the

journey alone, he might also have to wait more than twelve. And the same was true of letters between Yorktown, Virginia, and London, except that the modal figure would seem to be nearer eight weeks than ten. Here the Boston-London data pertain to all the letters in the Hancock files which carry not merely the date of composition but also that of receipt in Boston; and the Virginia-London record is that of the Norton correspondence with the "endorsements" already mentioned. Even the institution of "packet" boats did not correct the difficulties. A half-dozen letters in the Hancock collection are labeled to have come in that manner, and the divergence is still considerable — from eight to thirteen weeks. And it seems probable that, with the longer period of transit necessary in the communication between Boston and Leghorn or Providence and Surinam, the variation would also become greater.

The transmission of letters by land was subject to many delays, especially prior to the time when, under Franklin, the posts were ridden at night. At best it was not swift.

TABLE III

Length of Time Required for the Transmission of Letters between Boston and London and between Yorktown, Virginia, and London

No. of weeks	No. of letters Boston to London	No. of letters Yorktown to London
5	1	1
6	1	5
7	2	12
8	6	28
9	4	11
10	7	10
11	2	8
12	4	8
Over 12	5	6
Total Number	32	89

Thus, the Browns at Providence received a letter from Williamsburg, Virginia, only after the elapse of 20 days. But, as I have said, mere slowness need not have caused a sluggish tempo of commercial life; theoretically compensatory measures could have been taken in consequence of which the actors on their parts might have been as pushed and strained as men of more recent decades.

As in the case of ocean-borne communication, the major disturbing element seems likely to have been the uncertainty or irregularity of transmission; but it appears that the vagaries of land transmission

were not as great as those of movement by water. Anyway, the movement of letters – and goods – across the ocean was, generally speaking, much more important to the colonial merchant than that by land.

• • •

Uncertainty of another variety seems to have operated in the same direction as that of ocean communication, the uncertainty of commercial arrangements. There was the common uncertainty of trading ventures, which can be illustrated by a program that Henry Lloyd outlined in an inquiry to Hugh Hall Wentworth for a "good double deck't Vessell of 140 to 160 Tons" which he might charter for a voyage:

> [She would] proceed to Baltimore & there load Corn & Flour for Spain and Italy as Markets bear. She will probably [be] ⅔ or ¾ Laden in ye Hold with Wheat in Bulk (perhaps wholly) & with Flour in Casks to fill up. But Indian Corn, Beans or Bread may also be Ship't, . . . Cadiz to be the first port, there the place of her discharge will be settled, perhaps there or at Lisbon, Malage, Alicant, Carthagina, Barcelona, Seville, Genoa, Leghorn, or Naples.

Then there was the case of Lloyd trying to send goods from Boston to Aaron Lopez at Newport:

> Am sorry I could not ship [the goods] sooner, but no Vessell has offer'd except Capt. Taylor & his Vessell was clear'd out & I thought gone long before [the goods] were ready & I did not know to the contrary till the night he sail'd or I should have ship't them by him.

But perhaps the difficulties can best be illustrated by the series of letters which Lloyd dispatched in connection with a single piece of business. Action began when on October 24, 1765, one Charles Murray, a member of the firm of Scott, Pringle, Cheap & Company of Madeira, wrote Lloyd from Philadelphia asking the latter to purchase a shipload of fish and send it to Madeira. Lloyd wrote to Timothy Rogers in Gloucester that he was relying upon him as to the quality of the fish and for information as to when the vessel would be ready to sail "that I may not be behindhand with the necessary papers."

> Lloyd to Murray: I have purchased a cargo of fish in Gloucester and agreed for a fishing schooner, equipped to carry 1100 to 1200 quintals, freight at 2/9 per quintal, the best terms I could make and the only vessel cleared out with fish before November first and ready to take in or get to sea by the last of the month. It will probably sail in 10 or 12 days. I will forward your letters to Scott & Pringle in London by two vessels going this

week and shall write them myself to advise that I will draw on them and to ask them to procure insurance on the cargo. The owner of the schooner expects your house to procure a return freight.

Nov. 11, Lloyd writes to Scott & Pringle in London: I have purchased a cargo of fish for your house in Madeira which I shall dispatch from Gloucester this month, weather permitting, in Schooner Sea Horse, 70 tons, Samuel Robinson, Master, with cost here with all charges on board not to exceed 12/3 sterling per quintal. I shall draw on you for the whole amount at 30 days sight, the freight to be 2/9 sterling per qtl. Request that you make insurance to the value of the cargo.

Nov. 23, Lloyd to Allen: Mr. Rogers tells me that the fish will be on board, if weather holds good, by next Monday. I shall go myself or send my nephew to give the necessary dispatches next Monday or Tuesday.

Nov. 25. Lloyd to Allen: My nephew Henry Smith will be with you this evening to dispatch Capt. with all possible speed.

Nov. 25. Lloyd to Murray: Have received yours of the 15th. I expect that the vessel will be filled up this day, after which nothing on my part will retard her sailing by or before the last of the month. Am sorry that I could not prevail upon owner to take the freight in wines, or that I was obliged to give so high a freight. Not having the chance for any other vessel put me in his power. There is no prospect of your market being overdone from this quarter. By next post or the post after you will receive a copy of the invoice. Exchange being at par here it will be to your interest to draw on London rather than to make use of the proceeds of the oil to pay for the fish.

Nov. 28. Lloyd to Scott, Pringle, Cheap & Co., Madeira: I enclose bill of lading for 1097 quintals of fish which I expect will sail from Gloucester in a day or two. Amounts to £902–8–0 lawful money. Shall draw on Scott & Pringle in London by Mr. Murray's order, agreeable to show order.

Copy of this letter sent by way of Philadelphia.

Dec. 2. Lloyd to Murray: Enclosed bill of lading. Sailing held up by necessity of sending to Portsmouth for a Mediterranean pass.

Dec. 9. Lloyd to Willing & Morris, Philadelphia. Tell Murray his vessel sailed last Friday morning soon after a severe North East storm.

Thus, at the end of six weeks and after the expenditure of no little trouble, with presumably the insurance arranged for in distant London and hopefully a return cargo to be secured, a shipload of fish had been dispatched to Madeira – to arrive perhaps a month later, if no accident befell.

These and other data of colonial mercantile life point to the looseness of existent business relationships; a vessel would sail to Cadiz in the hope that by the time of its arrival there, someone would have information by aid of which she could be sent forward to one of a half-dozen possible destinations; a merchant might be informed of a ship's imminent departure and he might not; and a businessman by dint of a sheaf of letters and a special visitation by his emissary

might induce a ship's captain to load up his vessel and depart for the agreed destination. Here, as in the case of correspondence, there was much uncertainty; and while uncertainty might on theory be expected to produce, as it were, no more than a spate of nervous twitchings in efforts to stimulate action, it seems to have succeeded in delaying action itself.

The foregoing episode may well be considered an instance in what must have been a persistent problem, at least of merchants located north of Philadelphia, the problem of assembling an export cargo. I say "must have been," because unhappily we know precious little about the process. Apparently, the staves and the salt fish, the flour and the pit iron walked themselves to the ports. Miss Hanna, in her *Trade of the Delaware District before the Revolution*, speaks of "traders" being engaged in the operation; but that is all I have found in secondary sources, and Hedges mentions the enhancement of the difficulties in securing certain supplies as the colonial decades rolled by.[3] However, the nature of the mercantile organization remains obscure. Perhaps producers of the several commodities brought their goods to the main ports by the best means available to them, perhaps country stores took the commodities in and then sent them on by boat or cart, and possibly, indeed, there were "traders" along the coasts who, with small ships or other means, acted as intermediaries between producers and port merchants, perhaps even having their own warehouses for the storage of the goods. In any case, it would appear that the trade was poorly organized and might well have been in the hands of a number of small men. (Possibly the port merchants reached out themselves, by small coasting vessels or otherwise, to assemble materials from the hinterlands – indeed, this may have been a prime duty of "outside" clerks; but there is little evidence to this effect. It is not atypical that Baxter in his *House of Hancock* fails to mention the whole matter.) At all events, even if the available diaries make no specific mention of the subject, it seems reasonable to suppose that the process of getting together a shipload, especially of the mixed character common to northern mercantile transactions, could have been the source of considerable concern and no little effort on the part of the aforesaid port merchants.

• • •

[3] Mary Alice Hanna, *The Trade of the Delaware District before the Revolution* (Northampton, 1917), p. 243; James B. Hedges, *The Browns of Providence Plantations* (Cambridge, 1952), p. 23.

The delay in getting Captain Robinson started for the Madeiras is not atypical for this era of commercial life. Slowness was expected. In Lloyd's letter about chartering a vessel for the trip to Cadiz, he specified the detail that the captain should "have 30 days to Load & 25 to Discharge" cargo. This was in 1766.

A decade earlier, the French writer, Butel-Dumont, in his *Histoire et Commerce des Colonies Anglaises*, states, with respect to the tobacco ships that plied the area of Chesapeake Bay, that they were "ordinarily three to four months, often six months, in the country collecting a cargo," and that a merchant who thought to save money by utilizing an unusually large vessel found that "it had had sometimes to spend the winter in Maryland in order to make up a load."

From his study of the Brown papers, Professor James B. Hedges has estimated that a vessel coming into Providence would require three months to get ready to start out again on a long voyage, although this time might be shortened somewhat if the ship's captain had been able to send a message by another ship coming more directly or leaving the foreign port somewhat earlier, a message carrying news of the conditions in that foreign mart.

Turn-around time was increased no doubt by the necessity of overhauling vessels, scraping their bottoms, and so on, work that could best be done in the vessel's home port. The layover there may have been lengthened by the practice of discharging the ship's crew as soon as the vessel arrived in port. In the light of the long voyages of the period and perhaps of the discipline on shipboard, one can understand the practice, but, even so, it is difficult to understand, given the size of the vessels of the period, why loading or discharging cargo should have required each a month's time. As to the slowness of loading in the tobacco trade, Butel-Dumont himself stated that the task could be accomplished in a fortnight if the tobacco were assembled previously at one place on the coast; one might add that this stratagem was adopted in these very pre-Revolutionary decades by the merchants of Glasgow, who were enabled thereby to cut severely into the tobacco trade of London and other British ports.[4] On the whole, however, it seems evident that turn-around time was considerable in the colonial era and that this feature of mercantile life was not well organized, at least for speed of operations.

* * *

[4] Jacob M. Price, "The rise of Glasgow in the Chesapeake Tobacco Trade, 1707–1775," *William and Mary Quarterly*, 3d series, Vol. 11 (1954), pp. 179–200.

What, then, did the typical merchant do with his time? Was he busy? Or did he follow a pretty modest pace in the performance of his role? Unfortunately for all of us, as already suggested, few contemporary sources have come down to us, by aid of which we can attempt to reconstruct the daily lives of typical merchants. In particular, there are very few diaries of colonial merchants on which to lean.

Baxter expresses a belief that the Town House in Boston played an important role in Boston business of the later colonial period. Its ground floor provided a covered area where merchants could meet conveniently, talk, and transact business, and Baxter quotes from Sears' *John Hancock* the assertion that it was "the custom of Boston" for the merchants "to shut up their warehouses at one o'clock, and go on 'change, and return about four o'clock in the afternoon." One is tempted to comment that, though business in Boston in the 1750's and 1760's was brisk and although the processes of that business were awkward, three hours daily seems a lengthy period for the disposition of business alone.

Something of the real flavor of mercantile life, at least among the established merchants of the era, is to be gained, I think, from the diary of John Rowe, also of Boston. Here are the entries that he made in April, 1765, and I would comment that this passage contains more references to business matters than other portions of his record and would call attention to the fact that his zeal to put down his business activities did not lead him even to make entries for each successive day: [5]

> April 10. The Charitable Society met this day at Mrs. Cordis', and dined, as usual, had a Genteel dinner and twenty three dined there, made choice of officers for the Year ensuing. . . .
>
> Wind N. E. it has continued in this quarter 21 days, all but one half day.
>
> April 20. Agreed with Mr. Eben Lewis to build me a Schooner forty four foot Keel, seventeen foot Beam & seven foot and ½ in the Hold @ £19.10 p ton to have a long quarter deck. Went after dinner round by Jamaica Pond came back to Greatons & spent an hour with James Otis, Nath Bethune, Solo. Davis, Colo Richd Gridley, Saml Hughes & Thos. Gray.
>
> April 22. This morning Mr. Longley & Parket began to pull down my House in Pond Lane. Went to Fanewill Hall and met the Committee about the Town affairs. . . .
>
> Sold the Schooners Cargo this forenoon at Publick Vendue & I think very well.
>
> Apr. 30. Mr. Pickering sent me a dozen fine large Trout. Set out after

[5] *Letters and Diary of John Rowe, Boston Merchant* . . . edited by Anne Rowe Cunningham, 1903, pp. 80–81.

dinner from Boston for Plymouth in company with the Rev. Walter, Mr. Sam Calef, Major Vassall, Joshua Loring junr & Edwd. Winslow Jr. Stopt at Bracketts, Braintree. reached Cushing' & spent the eve'ing & slept there.

May 1. Set out early this morning, reached Pembroke went fishing had bad luck, began to Rain, which was much wanted.

Entries in a diary of Robert Pringle, merchant of Charleston, South Carolina, are no more enlightening.[6] At the time when he began to keep his record, Pringle was 44 years old, and apparently already well advanced on his mercantile career. The first note in the document gives the situation, and the first few entries are representative of the whole sequence:

May 3, 1746. This day gave up to Wm. Hare the key to the store on Elliotts wharf having given up the store there & moved some Loaf Sugar &c to the Inglis Store.

Bott of Isaac Holmes 70 lb. of Bacon at 2/ per lb for house use.

May 6th. Sold Charles Hill 6 Walnut Tree Chairs with Chintz Bottoms £45.

Gave Charles Hill our English Goose & Gander for a Breed.

Lent Charles Hill in Cash – £40.

May 9th. Bot: at Vendue 2 Groce Botles for £10 & recd only 7 doz & 3 Botles.

And so it goes on, typically not more than one entry per day, and frequently none; while often the single note refers to such personal purchases as the above. There *are* entries of a clearly business character, the arrival of a given vessel or the sale of an item or two, accepting bills of exchange, and the like, but these entries are a distinct minority in the whole record.

The third diary of which I have knowledge is even more disconcerting. It is the diary of a young man, one in his middle twenties, and the son of a well-to-do merchant. The son, one John Smith, was supposedly in business in Philadelphia and, according to the editor of the diary, doing famously. The young man does record purchasing and furnishing a house in town and of setting up a "plantation" in the country. The diary was published under the title, *Hannah Logan's Courtship*, and it does contain much of the love affair of John Smith. However, the difficulty from our point of view is finding any references to business matters. The following section is representative:[7]

[6] "Journal of Robert Pringle, 1746–1747," *South Carolina Historical and Genealogical Magazine*, Vol. 26 (1923), pp. 21–30, 93–112.

[7] *Hannah Logan's Courtship*, edited by Albert Cook Myers (Philadelphia, 1904), pp. 158–159.

S. E. Morison in his *Maritime History of Massachusetts* (Boston, 1921), pp. 30–32, gives a picture of leisurely life in Boston in the post-Revolutionary period.

First Month, 1748.

1st (4th day) Was at our meeting. Sam[l] Pennock spoke. The Shoemaker Lad prayd. . . . I. P. jun[r], W[m] Logan, R. Pleasants, R. Langley, Jemmy Pemberton, & I rode, after dining at I. P.'s, to Germantown to see it, and after going through it we came in to Stenton & drank Tea. Found G. Tennent there. We conversed freely. We met my dear Hannah at the Gate, having rode over with Chelly Pemberton, who is there to Endeavor the recovery of his health. I spent the evening at W[m] Logan's.

2d (4th day) Waited upon R. Pleasants & R. Langley to see the State House, Library &c., and dined with them at I. Pemberton's, jun[r]. Then waited upon them to Skuylkill on their way home. . . . In the afternoon, met at James's Coffeehouse with the Auditor's appointed by the Court upon the Affair between Carpenter & Shute. Gave them our reasons for awarding as we did — withdrew to W[m] Logan's, where I drank Tea, & spent part of the Eveng at J. Armitt's. Gave a poor widow £20 that has several small children.

4th (6th day) My partner & I spent some part of it [the day] in Examining our Books. Had the visits of several friends.

5th (7th day) W. Callendar, E. Catherall, W. Logan, Jemmy Pemberton, A. James, J. Foulk & myself rode to the Point, and had an agreeable Jaunt.

6th (1st day) Was morning & afternoon at our own meeting.

7th (2d day) Employed in Examining our Comp[y] Books. Samuel Mickle's wife died to-day.

8th (3d day) Was at meeting. . . . Saw dear Hannah going home alone in the Chaise, and as I knew her fears of being talked of, I did not venture to wait upon her.

Conclusion

The evidence relative to the pace of commercial life in our colonial era is neither abundant nor conclusive, but it seems to point rather clearly in the direction of a situation markedly different from that of recent times.

1. The tempo was slow insofar as the number of transactions per man per time-period, letters written or received per week or month, and the like are concerned.

2. In some measure, this restricted pace was the consequence of prevailing uncertainties. An extreme possibility in the case of an international trader was the loss of vessels, conceivably all of his ships, as a result of the hazards of the ocean; and it would indeed be somewhat unreasonable to expect merchants to become or remain excited in planning the future activities of vessels that might very well be at the bottom of the sea. In a lesser degree it seems improbable that the merchant should become full of anticipations relative to shipments of wheat or lumber or fish when he had no recent information on the state of markets in the ports where he possessed correspondents.

3. The pace was also slowed in all probability by reason of the awkwardness of transacting business within the existing business system. There were scarcely any specializing institutions or individuals; arrangements in business were dependent upon negotiations with other parties who might very well be preoccupied with quite variant activities or problems. Likewise there appears to have been little that was standardized in the system — documents as well as procedures. And business information flowed by the somewhat hazardous channels of word of mouth — and even in a port no larger than Boston of the period, a vessel could sail without one of the leading merchants having advance knowledge. The processes of domestic trade whereby goods were assembled for export seem to have been still relatively primitive.

4. The pace was likewise slowed by the nonbusiness activities of the existing merchants. As John Rowe was involved in the Charitable Society and the "Town Affairs," so John Watts was on the Governor's Council, etc. They were also undoubtedly active in their respective churches. In brief, they were members of their several communities. Consequently, they could be well occupied throughout their days and yet sustain only a moderate pace within their shops or "warehouses." As yet, perhaps, business had not become so much an end in itself, and success in business did not become so adequately a basis for self-satisfaction, as was to become the case in the next centuries.

5. Yet, even if the eighteenth-century merchants in our coastal towns cannot be said to have been busy in the sense of being constantly active in the affairs of their enterprises or persistently driven from pillar to post by the exigencies of their engagements, one need not conclude that they were lazy, though this may seem paradoxical. It seems quite possible that no small portion of the colonial merchant's time might be taken up with the weighing of the alternatives that lay before him as he considered the launching of each new venture, as he tried to calculate the risks and appraise the chances of gain. In a sense, such traders were playing with high stakes at hazard. They had typically only a few ships in their command; these vessels could make but a voyage or two a year; there were the dangers of the sea to consider; and there were the characteristics of the ship's captain or supercargo and foreign correspondents to take into account; and there were the problems of what commodities to send and what to ask for in return, how best to provide the captain with funds either to allow him to seize a specially favorable commercial opportunity or even just to cover the costs of emergency repairs on

his vessel; there were, indeed, many things to think upon. Many years later, Walter Bagehot remarked in his *Lombard Street* of the merchants of London that they *ought* not to be "busy." Correspondingly, perhaps the minds of the American colonial merchants were quite well occupied, even if their fingers and legs were not!

Postscript

At the start of this article, I suggested the desirability of obtaining measurements of the pace or tempo of business in "other times and other climes"; and in an effort to promote such measurements for the United States in periods later than the colonial era, I append the ensuing comments upon pertinent and probably available data.

Certain information relating to speed of operations becomes relatively abundant in decades of the nineteenth century. With the establishment of newspapers in all the principal ports, and specializing commercial papers in the most important ones, it is easy to acquire data on the arrival and departure of specific vessels. Identification of the ships, their size, customary routes, etc. could be made largely from advertisements in the same journals – advertisements for cargo. To be sure, this particular feature of American enterprise grows less significant for the whole economy as the decades roll by, but there seems no reason to doubt the sensitivity of cargo vessels to the forces making for increased tempo in other sections of the country and in other lines of business. Such a measurement would help to indicate the rapidity of change toward an accelerated tempo.

A larger amount of data on the speed of mails within the country is to be found in the files of the United States Post Office; and actually one variety of summary is already compiled in a series of maps presented by the American Geographical Society in its *Atlas of the Historical Geography of the United States* of 1932. Data upon overseas mails are also procurable with relative ease, e.g., through the use of date lines in the dispatches printed in domestic newspapers relative to the news from abroad.

The flow of correspondence into and out of individual enterprises appears to be a somewhat dubious measure over the decades of the pressure or pace of business. The problem of homogeneity raises its bothersome head, especially when burgeoning hierarchies may properly be assumed, and yet one has no basis for determining whether, or in what degree, assistants wrote routine letters. With the introduction of manufacturing industry, this phase of correspondence would seem to have increased in volume as the business

system grew in complexity with letters to insurance companies, to selling agents, to railroad officials, etc. If it were not for the increase at an indeterminable rate of the volume of letters "prepared for the signature" of the top executive officers of enterprises, it might be possible to construct a series reflecting more or less well the enhancing speed of business operations by counts (on a sound sampling basis) of the "front" or "head" office correspondence of successive typical business leaders, e.g., the treasurer of a New England cotton mill, the president of a railroad, or the head of an investment banking enterprise. When correspondence is preserved with company records, it is that of the top office that has most likely been retained. And for a while technological change worked in favor of those coming on later and wishing to count the number of letters, at least outgoing ones. From the 1840's onward, the letter press came into vogue; letters were written with a special type of ink, and were overlaid each with a tissue sheet of paper (which formed pages in a sort of scrapbook), moistened and pressed in a hand-screw press. In this manner a copy of the original was made upon the tissue paper; and the present-day inspector of the concern's books finds a sequence of outgoing letters neatly arranged (if sometimes indecipherably preserved!) in chronological order in a set of folio volumes. This practice persisted for a period after typewriters came into use.

To be sure, this sort of series might be viewed as running upon adverse technological changes when one has proceeded into the latter decade of the last century. First there was the invention of the typewriter, followed soon by the evolution of the stenographer; and it is a question whether a businessman by himself and a businessman with a secretary are homogeneous letter-writing units! There is doubtless a modicum of truth in the sort of contention that President Eliot of Harvard is alleged to have employed when some of his faculty members asked for typewriters and secretaries, namely, "All you'll do is write more letters!" Secondly, there was the introduction in the 1880's of the telephone. Thereafter the quantity of correspondence into or out from the enterprise would have much less significance as a measure of aggregate activity.

Thirdly, the formation of an index of change in the form of the number of major officers in corporations becomes possible, to a degree, after company reports began to be enlarged, and after specialized business directories began to be published. However, the coverage varies considerably among industries, manufacturing enterprises being poorly represented until the present century, while

neither type of printed document carried the listing of officers down very far or very consistently as between industries. One would not be at all sure what his data were really measuring. In addition, there is the logical question whether the number of subordinate officers varied directly or inversely with the rate of pressure upon the top officers of enterprises. Professor Cochran has contended that industrial executives in the latter nineteenth century didn't allow themselves enough officers of junior rank; they tried to keep too many decisions in their own hands.

The increase in the number of junior officers may be related to the pressure upon top executives in yet another way, or subject to interpretation in the light of another business element, that of internal organization. In recent years a good deal has been written in the literature of business upon the "span of control." Such a concept would have gained slight attention in the nineteenth century; executives were still inclined to think in terms of the small enterprise and with the proprietor accessible to all persons connected with the concern. Wherefore it would appear feasible, at least over several decades, to think of the pressures upon a given top executive in terms of the number of persons who reported to him directly.

Unhappily, data on internal company organization and practice are scanty until relatively recent decades. Few organization plans, if any, have survived that date back to the nineteenth century, and, of course, we know now that the informal organization may have functioned considerably at variance to the formal one. The administrative setup of certain railroads and banks at certain times might be deduced from contemporary materials. On the whole, however, information in this area appears likely never to be adequate enough to give much help in measuring the increase in the pace of American business life.

My friend, Professor Andrew B. Jack, has suggested to me another variety of company-internal evidence — the increase in the number of control accounts in company accounting procedures ("fictional" accounts such as "materials," "labor," and the like) — which might be looked upon as ultimately leading to the establishment of the office of controller and the elaboration of statistical measurements. Tied in also with cost accounting, these control accounts — their establishment and their proliferation — seem to Professor Jack to imply greater anxiety on the part of officers over the actions of their enterprises, a desire to plug up leaks of unnecessary expenditures, the wish to have more frequent and more nearly current reports of operating results, etc.

In favor of the use of this index is the availability of enough sets of company records to establish approximate timing of change even as among several industries. However, one could argue adversely that the phenomena are merely "outward and visible signs" of what earlier was "internalized" by businessmen: the latter carried the same anxieties and suffered the same strains but the lack of knowledge of certain accounting and statistical techniques prevented them from manifesting their worries and perplexities in these particular ways. There is something to be said for this latter argument; and yet I am disposed to find merit in this variety of measurement. Perhaps anxiety was "the mother of invention" here. Surely the notion of control accounts was as old as double-entry bookkeeping, and the timing of their introduction or expanded use in specific situations was in part a function of anxiety seeking relief out of a literature that had been more or less available previously.

Still another sort of measurement – one in the nature of estimating results of strain – may lie in the differentials in the life spans of businessmen relative to adult males as a whole in the relevant populations. Unhappily I doubt if adequate data are available for more than the past fifty or seventy-five years.

The only further measuring rod that has risen in my imagination is one that at first blush may seem too trivial for serious note. I do suggest it as worthy of consideration. It is the number of meals, and especially dinners, that the executive was required by the exigencies of his activities to take away from his home. To be sure, sundry factors other than the pressures of business played important parts, e.g., the growth of urban centers, changes in local transportation facilities, the increased formalization of social life, etc. However, I believe it possible to substantiate the following course of development.

In our predominantly mercantile era, a young man aspiring to a mercantile career was under the necessity after a period of apprenticeship of absenting himself from home for months, if not years on end, but thereafter he expected to return to his native town, settle down with a family, and have all his meals in the bosom of his family, except as he (or they) might go for a social meal at the homes of relatives or friends. As the married man of our earlier decades took satisfaction in "never having passed a night apart from his wife," so typically the businessman expected to dine and sup at his own board.

On the other hand, I would surmise that the cotton-mill treasurer of the 1830's, with mills at some distance from Boston and with

operating results, etc.

selling agents in New York and perhaps Philadelphia, would anticipate being away from home – for some meals and probably overnight – several times a year.

Even more frequent excursions around the country and more frequent business dinners away from his family seem likely to have been the fate of the industrialist, investment banker, or railroad executive – at least, those of the top echelons of their respective enterprises – in the latter nineteenth century. Now there were meetings of trade associations, inspection of the sources of raw materials, attendance upon sessions of congressional tariff committees, dinners of the local chambers of commerce, etc. And the twentieth century added such meetings as the Council on Foreign Relations, the Boston Conference on Distribution, of the trustees at some school of business, of local charities, and so forth.

Possibly the diaries of businessmen in the nineteenth century are sufficiently numerous to give an investigator some notion of the multiplicity of such combined business-social engagements among representative groups of businessmen at selected intervals within the hundred years, e.g., the period of the 1850's and that of the 1890's. I suspect that the typical business executive of the twentieth century, however, kept – and does keep – no diary; and I fear that this is also true of the typical secretary of a typical businessman. Even executives' "calendars" are thrown away after the engagements have been kept (or forgotten!). It appears to me likely that the investigator would have to jump from the 1890's to the present day. But perhaps the lack of stopping place at some intermediate date is not too important. I have the impression that conditions have not altered much in the past few decades; perhaps the saturation point was reached by the 1920's or 1930's – or should we view this as an equilibrium point between business obligations and marital peace?

The index that I here propose may sound a trifle quixotic on initial consideration, as I have intimated; but I have a few scraps of data to lend support. A story came to me rather directly about a wealthy man of New York City who, after a luncheon with an old college friend, remarked that it had been the first such meal in months where he had not been asked for money. Again, Mr. Oswald Knauth, erstwhile president of Federated Department Stores, once related to me some of his personal experiences. And the Standard Oil Company of New Jersey maintains a bureau in its secretary's office to which invitations of professional and charitable institutions are referred, and where decisions are made as to what invitations

of the 1830's, with mills at some distance from Boston and with

should be accepted and what officers should, if possible, be induced to represent the company.

I should be glad to hear of alternative and better means of measuring the enhanced tempo or pressures of business life over the decades.

A Railroad For Turkey

The Chester Project, 1908–1913

¶ There was an interlude when enchantment with Dollar Diplomacy overcame the reluctance of Washington to become involved in Near East politics. The Chester project, however, was defeated by German imperialism, lack of popular support for business ambitions abroad, and vacillation by the promoters themselves. The time for effective alliance between the State Department and American businessmen was not yet at hand.

by John A. DeNovo

ASSOCIATE PROFESSOR OF AMERICAN HISTORY AT THE PENNSYLVANIA STATE UNIVERSITY

Early in the twentieth century, Admiral Colby M. Chester and associates developed a gigantic program for railroad and mining ventures in Asiatic Turkey. They were beguiled by a vision of great commercial and industrial possibilities for Americans in the Ottoman Empire, a mirage similar to that which had already fostered great expectations for American economic enterprise in Latin America and the Far East. In all three instances, the advocates were optimistic about foreign markets

for American industrial surpluses.[1]

Had the ambitions of the Chester syndicate materialized, they might well have altered the course of American relations with the Middle East, and even the course of Turkish history. Although the project turned out to be a colossal and embarrassing failure, the active support of the Taft administration for the American enterprisers comprises a revealing chapter in American diplomatic and business history. In assisting the Chester interests the Department of State departed drastically, but only temporarily, from traditional noninvolvement in the international politics of the Eastern Question.

When Admiral Chester first became interested in the possibilities for economic undertakings in the Ottoman Empire, American interests there were still largely humanitarian, consisting of churches and schools nurtured by missionaries and educators.[2] Strategic interests on the part of the United States were nonexistent, business investments negligible, and trade during the nineteenth century was modest in volume.[3] Precisely because the United States had a humanitarian record not compromised by any vital political stake or ambition in Turkey, American prestige was high among the Turks, who were receptive to expanding commercial and financial ties with American businessmen.

Chester's plans were taking shape at a time when American businessmen found sympathy and support in Washington for their foreign enterprises. President William H. Taft and Secretary of State Philander C. Knox were proud to use the resources of government to promote Dollar Diplomacy, an ambiguous concept with invidious connotations, at least for later generations. As Knox expressed it, "Today diplomacy works for trade, and the Foreign Offices of the world are powerful engines for the promotion of commerce of each country. With the expansion of American commerce it

[1] By a Diplomatist [Lewis Einstein], *American Foreign Policy* (Boston and New York, 1909), pp. 146–147, 155–156; J. Fred Rippy, *The Caribbean Danger Zone* (New York, 1940), p. 135; Charles S. Campbell, Jr., *Special Business Interests and the Open Door Policy* (New Haven, 1951), Chap. 1 ("The Bogey of the Surplus"). As early as the 1880's, prominent Americans thought Latin America might serve as a market for industrial surpluses of the United States. See Russell H. Bastert, "James G. Blaine and the Origins of the First International American Conference" (Ph.D. thesis, Yale University, 1952), Chap. 8.

[2] Leland J. Gordon, *American Relations with Turkey, 1830–1930: An Economic Interpretation* (Philadelphia, 1932), pp. 221–251; Nasim Sousa, *The Capitulatory Régime of Turkey: Its History, Origins, and Nature* (Baltimore, 1933), Chap. 7.

[3] William C. Askew and J. Fred Rippy, "The United States and Europe's Strife, 1908–1913," *Journal of Politics*, Vol. IV (Feb., 1942), pp. 68–69, 73–74; Samuel E. Morison, *The Maritime History of Massachusetts, 1783–1860* (Boston and New York, 1921), pp. 181, 277, 291–293; Gordon, *American Relations with Turkey*, Chaps. 3 and 4; Sousa, *The Capitulatory Régime*, pp. 252–253; Charles M. Pepper, *Report on Trade Conditions in Asiatic Turkey* (Washington, 1907), *passim*, especially p. 28. Pepper was a special agent of the Department of Commerce and Labor.

became imperative that American exporters should have equally efficient support from their government."[4]

When it came to Turkey, both the policy-makers in Washington and American businessmen exhibited dilettantism. At best, they comprehended only vaguely the nature of Great Power politics in the Ottoman setting. For several decades the Ottoman Empire, already stereotyped as the "sick man of Europe," had been in the throes of disintegration. As the Empire fell apart, the desire of each of six European Powers (Great Britain, France, Germany, Italy, Austria-Hungary, and Russia) to prevent a competitor from improving its position enabled the Ottoman Empire to survive a little longer by playing off one rival against another.[5] These rivals did not welcome the appearance of the United States.

Not so with the Young Turks who had gained power in the revolution of July, 1908, when they forced the Sultan to institute a parliamentary regime full of bright but unrealized promise for a better Turkey. Among their plans for modernizing their country, the Young Turks placed economic development high on the list with proposals for extensive railroad and highway construction, port development, irrigation projects, public utilities, and mineral exploitation. Turkey's appalling lack of native capital and managerial skill for her own economic development required her to look abroad for assistance. While the Turks did not lack bids from Europeans anxious to pour capital into the country, they suspected that the motive was to advance the financial and political interests of the European financial groups and their governments at the expense of Turkey. Because the American position was unique in its relative freedom from similar suspicions, many Turks saw an opportunity to use American capital as a possible counterweight for European political ambitions.[6]

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[4] [Philander C. Knox], Memorandum on the State Department [March, 1909], Philander C. Knox MSS (Division of Manuscripts, Library of Congress), Vol. VI, p. 949. See also copy of an address given in Baltimore by Huntington Wilson on Dollar Diplomacy, May 4, 1911, Knox MSS, Vol. XIV, pp. 2,313–2,315, and Henry Pringle, *The Life and Times of William Howard Taft, A Biography* (2 vols.; New York and Toronto, 1939), Vol. II, pp. 678–699, *passim*. The dual nature of Dollar Diplomacy is stressed in Julius W. Pratt, *America's Colonial Experiment: How the United States Gained, Governed, and in Part Gave Away a Colonial Empire* (New York, 1950), pp. 131–132. See also Rippy, *Caribbean Danger Zone*, pp. 134–136.

[5] Ernest E. Ramsaur, Jr., *The Young Turks: Prelude to the Revolution of 1908* (Princeton, 1957), pp. 140-143; Edward Mead Earle, *Turkey, the Great Powers, and the Bagdad Railway: A Study in Imperialism* (New York, 1923), *passim*, especially pp. 3–8, Chaps. 2 and 9.

[6] Milo A. Jewett (Consul at Trebizond, Turkey) to the Assistant Secretary of State, April 10, 1909; Jewett (on leave in Washington) to Assistant Secretary of State, June 23, 1909, both Department of State Archives (National Archives, Washington, D. C.), file 5012/16–18 and /19–20; Lewis Einstein (Chargé d'Affaires, Constantinople), to Knox, No. 1045, confidential, July 15, 1909, Department of State Archives, file 20784/–; Einstein

Admiral Chester's belief that Turkey afforded great opportunities for American entrepreneurs had begun to crystallize as early as 1900 when, as a captain commanding the U.S.S. *Kentucky*, he was sent officially to press for payment of damage claims to American property resulting from the Armenian massacres of the previous decade.[7] Several years later the Admiral's views were reinforced by the enthusiasm of C. Arthur Moore, Jr., whose visit to Turkey in 1906 impressed him with the possibilities of a railroad from Aleppo to the Mediterranean coast near Alexandretta. Moore persuaded his brother-in-law, Colby M. Chester, Jr., son of the Admiral, that the project had possibilities, and the two gained the support of their fathers for the Aleppo-Mediterranean project.[8] The younger Moore's father, a partner in the company of Manning, Maxwell, and Moore, an established firm dealing in railroad supplies, possessed the business standing necessary for enlisting financial support in their project. At this time, the younger Chester was serving as treasurer of Manning, Maxwell, and Moore. The Admiral's other son, Commander Arthur Chester, was designated to assist in the preliminary surveys for the contemplated line.[9]

The available records, though leaving some obvious questions unanswered, are sufficient to delineate the origins of the syndicate.[10] In the summer of 1908, the Admiral represented the United States in Geneva at the Ninth International Conference of Geographers. With the benediction of the State and Navy Departments he then journeyed to Constantinople for the express purpose of investigating American commercial possibilities in the Ottoman Empire. On this mission he represented not only the Chester and Moore interests, but was acting also as an agent of the Boston and New York Chambers of Commerce and the New York State Board of Trade.[11] Since

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to Knox, No. 1065, very confidential, July 29, 1909, file 5012/21. Hereafter, all citations to the Department of State Archives will be designated "DS" followed by the file number. All Department of State records cited are in Record Group 59. See also Gordon, *American Relations with Turkey*, pp. 252–256, 264; Earle, *The Bagdad Railway*, pp. 13, 19.

[7] *Papers Relating to the Foreign Relations of the United States, 1901* (Washington, 1902), pp. 514–515; Allan Wescott, "Colby Mitchell Chester," in Allen Johnson *et al.* (eds.), *Dictionary of American Biography* (22 vols.; New York, 1944–1958), Vol. XXI, p. 171; Lloyd C. Griscom, *Diplomatically Speaking* (Boston, 1940), pp. 169–173.

[8] Laurence Shaw Mayo, "The Chester Concession under Fire," *Asia*, Vol. XXIII (July, 1923), p. 521. The elder Chester had retired from the Navy as a Rear Admiral in 1906.

[9] James M. Laidlaw to Knox, Nov. 24, 1909, DS 5012/31–32. Arthur Chester retired from the Navy in 1905.

[10] The business records of the Chester syndicate are in the possession of Mr. Henry Woodhouse of New York City, but he has not made them available to scholars. (Correspondence of the writer with Mr. Woodhouse between 1952 and 1957 and an interview in 1955.)

[11] C. A. Moore (President of Manning, Maxwell, and Moore) to Secretary of State Elihu Root, Oct. 14, 1908; Root to V. H. Metcalf (Secretary of the Navy), Oct. 20, 1908; both DS 16251/–; Robert Bacon to Diplomatic Officers of the United States in Europe, April 8, 1908, DS 2793/11A.

the Admiral's original contacts were with Sultan Abdul Hamid, the Americans had to reopen negotiations with the new Young Turk regime after the revolution of 1908–1909.

The original plan for an American-built railroad from Aleppo to the Mediterranean ran into trouble when German interests protested that the line would traverse an area already assigned to their Berlin to Baghdad project.[12] Encouraged, however, by the cordial reception the Young Turks had given the Admiral's overtures, the Chester interests in the next few months enlarged their original plans into a more ambitious program of railroad building and mineral development.

By the late summer of 1909 the Chester syndicate had applied for concessions to cover lines eastward from Sivas in central Anatolia by way of Harput, Arghana, Diabekir, Mosul, and Kirkuk to Sulaimaniya near the Persian border. Branch lines were projected from the main line to the Black Sea port of Samsun, to the Mediterranean *via* Aleppo, and to Van *via* Bitlis.[13] These lines, comprising at least 2,000 kilometers, would have entailed expenditures estimated at more than $100,000,000.[14] These projected routes ran through areas reputedly rich in minerals, which the enterprisers intended to exploit along the railroad rights of way. A major attraction for some of the participants lay in the prospects for the sale of railroad construction equipment and rolling stock.

Actually, the Chester associates were not the first Americans to express interest in railroad lines projected for Asia Minor. Dr. Bruce Glasgow, representing the Anglo-American firm of J. G. White and Company, had applied earlier (July, 1909) for most of the same lines. Glasgow, furthermore, had filed his claims with the American Embassy in Constantinople and received diplomatic assistance from embassy officials, who reported that the White Company was making good progress with the Turks during the summer.[15]

Under these circumstances, the pique of embassy officials with Arthur Chester, Constantinople agent of the Chester interests, is

[12] Lewis Einstein (Chargé d'Affaires, Constantinople) to Knox. No. 1045, July 15, 1909, DS 20784/–.

[13] During the course of protracted negotiations wtih Turkish officials the exact lines to be included in the Chester Project underwent frequent revision. Henry Janes (Chargé in Constantinople) to Knox, No. 126, April 1, 1910, DS 867.602 Ot 81/13. Russia objected to the invasion of her sphere in northern Anatolia by the Sivas-Samsun branch, which the Ottoman government eventually withdrew from the Chester Project. There was extended controversy over the Mediterranean terminal with the syndicate insisting on Suediah, while the Turks held out for Alexandretta or Yourmoutalik on the opposite side of the bay.

[14] Einstein to Knox, No. 1106, Aug. 27, 1909, DS 5012/25–26; Straus to Knox, No. 2, Sept. 23, 1909, DS 5012/29; A. Rustem Bey (Ottoman Chargé in Washington) to Knox, No. 50, Dec. 21, 1909, DS 5012/39.

[15] Lewis Einstein (Chargé at Constantinople) to the Secretary of State No. 1045, July 15, 1909, DS 20784/–; Einstein to Secretary of State, No. 1065, July 29, 1909, DS 5012/21.

understandable. Previously, the embassy had helped him pursue the more modest Aleppo-Mediterranean railroad scheme and an application for installing a telephone system in Constantinople. This time, however, he acted without prior consultation at the embassy before confronting Lewis Einstein, American Chargé, with the news that he had applied for many of the same lines the White Company was seeking. Even then, Chester did not formally file his new claims with the embassy, although Einstein agreed to introduce him to appropriate Turkish officials.[16]

For his part, Arthur Chester felt his plans for American enterprise in Turkey were being obstructed from all sides. Some of his sponsors at home appeared to question his application for the additional lines in Asia Minor. Chester complained also that Glasgow of the White Company was spreading information that he was a fraud, that Einstein and the embassy were plotting with Glasgow against him, and that articles in the Turkish press were attacking his proposals unfairly.[17]

The competition between two American groups for the same lines embarrassed the State Department, which feared the rivalry might jeopardize the favorable disposition of the Turks toward American capital.[18] Einstein informed his Washington superiors that he tried to support Glasgow, whose success, he believed, would mean a very great victory for American enterprise and prestige in the Near East. When the Chester interests spurned Einstein's urging that they come to an agreement with the White Company, the Chargé felt he must support both groups diplomatically without partiality, leaving Turkish officials to decide between them.[19]

The upshot of the Chester-Glasgow competition was the virtual elimination of the White Company by late summer. The Chesters offered superior terms — a broad-gauge instead of a narrow-gauge line, and a land grant of 10 kilometers instead of 20 on either side of the railway. But on August 20, the Turkish parliament's Committee on Public Works postponed action to allow additional bidding. The Turks knew how to drive a hard bargain and were maneuvering for the most advantageous terms. The granting of the

[16] *Ibid.*; Einstein to Knox, No. 1081, Aug. 5, 1909, DS 20784/1; Einstein to Knox, No. 1106, Aug. 27, 1909, DS 5012/25–26.

[17] To his father he wrote: "I hate to think what I will do if I am not backed at home. I have staked my honor on our desire to take this option. . . ." Chester would have to bury himself "on a lonely island away from mankind" if he was not backed. "I absolutely have to carry this through. There is no turning back." Arthur Chester to Admiral Colby M. Chester, Aug. 29, 1909, Chester Family Papers through the courtesy of Colby M. Chester, Jr.

[18] Straus to Knox, No. 2, Sept. 23, 1909, DS 5012/29.

[19] Einstein to Knox, No. 1045, July 15, 1909, DS 20784/—; Einstein to Knox, No. 1065, July 29, 1909; Einstein to Knox, No. 1106, Aug. 27, 1909, DS 5012/21 and /25–26.

railroad concessions had, moreover, become a factional issue in Turkish politics.[20]

This was the state of affairs in September, 1909, when Ambassador Oscar S. Straus arrived in Constantinople.[21] He summarized the scramble for concessions to Secretary Knox on September 23 indicating that many agents — some who were American and some who were not — were claiming to represent American interests in seeking various contracts for public utilities from the Turkish government.[22] Many an operator without capital was making a play for big financial returns in Turkey at this time.

Straus pressed the department repeatedly to improve the chaotic system by requiring that all American companies desiring to apply for concessions make their plans known initially in Washington where the department could ascertain whether they were bona fide American companies, investigate their financial standing, and decide what support they were entitled to from the department's agents in the field. Improved procedures, he felt, might mitigate the disadvantage of American merchants and manufacturers in competing with their western European counterparts. The latter sent to Turkey representatives who were usually connected with their firms as managers or part owners. By way of contrast, American concession-seekers and contractors were too often represented by "commercial soldiers-of-fortune," that is, men not directly connected with the firms they represented, and "who seek concessions or contracts, with some kind of arrangement or understanding with American concerns, which pay a fixed sum or commission to such agents and then endeavor to organize a company to finance the concession and, if successful, arrange to carry on the work required." [23]

Straus may well have made his recommendation on the basis of his early experience with the Chester syndicate. The Admiral and his elder son do not seem to have been men of capital and business connections in their own right; and, although the younger son, Colby M. Chester, Jr., was treasurer of a substantial and well-established firm, he does not appear to have had sizable personal funds for investment. In this case, then, the Admiral was the soldier-of-fortune who arranged an understanding with several important American

[20] *Ibid.*; Einstein to Knox, No. 1124, Sept. 16, 1909, DS 5012/28.

[21] Constantinople had been raised to an embassy in 1906. Prior to this Straus had twice been American Minister to Turkey.

[22] Straus to Knox, No. 2, Sept. 23, 1909, DS 5012/39.

[23] Straus to Knox, No. 46, Nov. 25, 1909, DS 5012/34. Knox evaded Straus' proposals for departmental screening by merely stating that the general policy of the department was to afford opportunities equally to reputable American concerns for submitting proposals to foreign governments. Knox to Straus, No. 24, Nov. 1, 1909, *Foreign Relations, 1909* (Washington, 1914), pp. 595–596.

concerns for financing the railroad and mining venture if a concession could be obtained from the Ottoman authorities. As for Arthur Chester, Straus complained that he had no conception of the proper limits of official assistance in such matters. Chester's feeling that his various adversaries had hatched a plot against him made it difficult for the embassy to deal with him.[24] Straus' efforts to convince Chester of the desirability of harmonizing his conflicting interest with the White group's were as little heeded as Einstein's had been.[25]

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By the autumn of 1909, the Chester group, after virtually eliminating the White Company, was ready to organize formally and to press for the strongest possible official support from top officials in Washington.[26] In November the syndicate organized as the Ottoman-American Development Company with a New Jersey charter,[27] after which they began in earnest the first of three unsuccessful attempts between 1909 and 1911 to consummate a concession agreement with the Ottoman government.

As the new company sought active support from the Taft administration, it impressed the State Department with evidence of strong financial backing. Those principally involved financially were C. A. Moore, president of Manning, Maxwell, and Moore, Incorporated; E. G. Converse, a director of United States Steel; Admiral Chester; MacArthur Brothers, who were among the country's foremost railroad builders; the Foundation Company, general contractors; and the banking firm of Laidlaw and Company. The Ottoman-American Development Company had provided its field representatives with letters of commendation from leading New York financial institutions indicating their faith in the ability of this combination to carry out effectively any concession it might undertake for the Ottoman government. The company then made a direct bid for diplomatic

[24] Einstein to Knox, No. 1081, Aug. 5, 1909, DS 20784/1/; Einstein to Knox, No. 1106, Aug. 27, 1909, DS 5012/25–26; Straus to Knox, No. 2, Sept. 23, 1909, DS 5012/29.

[25] Straus to Knox, No. 2, Sept. 23, 1909; Straus to Knox, No. 4, Sept. 24, 1909, DS 5012/29 and /30. For further details on Straus' difficulties with concession-seekers, see Straus to Knox, No. 24, Oct. 27, 1909, DS 20784/5-6.

[26] The Chester interests had from the inception of their more modest proposals concentrated efforts on high officials in Washington. C. A. Moore to Elihu Root, Oct. 14, 1908; Root to V. H. Metcalf (Secretary of the Navy), Oct. 20, 1908; Metcalf to Root, Oct. 22, 1908, all DS 16251/– and/1. As late as the summer and fall of 1909 the embassy reported knowing little firsthand of the burgeoning Chester plans. Einstein to Knox, Aug. 27, 1909; Straus to Knox, Sept. 23, 1909, DS 5012/25–26 and /29.

[27] The company reported that its authorized capitalization was $100,000, fully subscribed, with 10 per cent paid in. James M. Laidlaw to Knox, enclosed in C. A. Moore to Knox, both Nov. 24, 1909, DS 5012/31–32; Reports for Mr. Carr of the State Department by R. G. Dun and Co. ("The Mercantile Agency"), Dec. 23 and Dec. 28, 1909, DS 5012/39.

support both in Constantinople and with the Turkish embassy in Washington.[28]

Company officials were delighted with Secretary Knox's assurances of the administration's desire to encourage American enterprise, especially in Turkey, in every way possible.[29] Their representatives would receive official aid in meeting appropriate Turkish officials, although diplomatic assistance would be held within limits.[30]

Pressure from the Turkish side was added to the importuning of the company for diplomatic support. The Turkish Chargé in Washington, Rustem Bey, tried to maneuver Secretary Knox into an official endorsement of the Ottoman-American Development Company, arguing that the company's position with the Turkish government would be strengthened if the State Department would state specifically that the composition of the company was "such as to command the thorough confidence of the Imperial Ottoman Government both as regards to the general business standing of this concern and its ability to carry out any contract to which it would put its signature." [31]

Knox parried adroitly, placing the company in a favorable light but without committing his department to underwriting its financial solidity.[32] Instead, he shifted the burden to "substantial bankers and business men in the United States" who had "amply assured" the department that the men making up the Ottoman-American Development Company were "of the highest standing and that any undertakings made by them should inspire your Government's complete confidence. . . ." [33] A contract with such a company, Knox

[28] Laidlaw (president of the Ottoman-American Development Company) to Knox, Nov. 24, 1909, DS 5012/31–32. In addition to Arthur Chester, James W. Colt, a railway construction engineer, was also to represent the company.

[29] Moore to Knox, Nov. 24, 1909, enclosed in Laidlaw to Knox, Nov. 24, 1909, DS 5012/31–32. Copies of these letters were sent to Ambassador Straus for his information and to allay his fears that Chester was inadequately backed. Knox to Straus, No. 43, Dec. 8, 1909, same file.

[30] Established policy "would not permit the Ambassador to request the granting of the concession to the company which must rely on its own efforts and merits to obtain this." Knox to Moore, Dec. 8, 1909; Knox to Straus, No. 43, Dec. 8, 1909, both DS 5012/31–32.

[31] A. Rustem Bey to Knox, No. 50, Dec. 20, 1909, DS 5012/39.

[32] Before replying to Rustem Bey, the department had made some effort to ascertain the financial soundness of the company. Asst. Secy. of State (Huntington Wilson) to C. A. Moore, telegram, Dec. 23, 1909; Moore to Wilson, telegram, Dec. 23, 1909; M. S. Clayton to Wilson, Dec. 23, 1909; Report for Mr. Carr of the State Dept. by R. G. Dun and Co. ("The Mercantile Agency"), Dec. 23, 1909, DS 5012/39–41.

[33] Those listed by Knox were W. E. Corey, president of the United States Steel Corporation; Messrs. J. P. Morgan & Co.; D. E. Pomeroy, vice president of the Bankers' Trust Company; Thomas Cochran, Jr., vice president of the Astor Trust Company; S. H. Miller, cashier of the Chase National Bank; Paul Morton, formerly Secretary of the Navy and now president of the Equitable Life Assurance Society of the United States; Alvin W. Krech, president of the Equitable Trust Company of New York; F. A. Vanderlip, president of the National City Bank, and formerly Assistant Secretary of the Treasury; Gilbert G. Thorne, vice president of the National City Bank; James J. Hill, president of the Great Northern Railway; and others.

emphasized, would have a beneficial effect on all phases of Ottoman-American relations.[34] The endorsement of the company's standing was strong even though it did not commit the department as fully as Rustem Bey might have hoped.

* * *

During the early months of 1910, the representatives of the Chester interests made slow but satisfactory progress in Constantinople and by early March had signed a detailed preliminary agreement with the Minister of Public Works.[35] As evidence of its good faith, the company deposited £T 20,000 in a Constantinople bank.[36] Then followed a delay of nearly three months during which the Grand Vizier, Hakki Pasha, refused to act on the agreement, thereby preventing it from continuing through the prescribed channels — approval by the Council of Ministers and submission to parliament for final confirmation.

During this delay the Department of State showed how far it had moved from the position taken by Secretary Knox the previous autumn when he told company officials that they must rely on their own efforts to obtain the concession, except for routine embassy help. Within a few months the department intervened directly to persuade the Turks that they should grant the concession to this particular American group. The department used several pet objectives of the Young Turk regime as bargaining points: increase in Turkish customs duties from 7 to 11 per cent; purchase of warships in the United States to offset additions to the Greek navy; [37] abandonment by the United States of some capitulatory privileges, most especially the right of forum in cases where Americans were accused of criminal acts; [38] and foreign loans to ease their urgent financial needs.[39]

The Turks were perfectly willing to play this bargaining game

[34] Knox to A. Rustem Bey, No. 27, Dec. 27, 1909, DS 5012/39.

[35] Admiral Chester to Huntington Wilson, Jan. 25, 1909, DS 5012/43; Laidlaw to Wilson, March 8, 1910, DS 867.602 Ot 81/1; Henry Janes (Chargé in Constantinople) to Knox, No. 24, telegram, March 26, 1910; Janes to Knox, April 1, 1910, DS 867.602 Ot 81/6 and /13.

[36] Straus to Knox, No. 20, telegram 12 noon, March 7, 1910; Admiral Chester to Wilson, March 15, 1910; Janes to Knox, April 1, 1910, DS 867.602 Ot 81/–, /7, and /13.

[37] Wilson to American Embassy, Constantinople, March 12, 1910, telegram, DS 867.602 Ot 81/–. Turkey had requested in Jan., 1910, that the United States sell her a warship to counteract an addition to the Greek navy. This could not have been done without special authorization from Congress, which the department was unwilling to seek. Straus to Knox, No. 14, telegram, strictly confidential, Jan. 19, 1910; Wilson to the Secretary of the Navy, confidential, Jan. 20, 1910; Secretary of the Navy to Wilson, confidential, Jan. 20, 1910; Knox to Straus, telegram, Feb. 1, 1910, all DS 23186/1 and /2.

[38] Gordon, *American Relations with Turkey*, pp. 190–199; A. Rustem Bey to Knox, Dec. 21, 1909, DS 5012/39.

[39] Earle, *The Bagdad Railway*, pp. 224–226; Straus to Knox, May 12, 1910, DS 867.602 Ot 81/15.

by making it appear that they would be more favorably inclined toward American investors if the United States government proved willing to make concessions on these issues, extraneous to the Chester proposition but important to Turkey. Straus did his best to make this instrument of Turkish diplomacy a two-edged sword, but complained that the State Department would not give him enough room for maneuver on the issues.[40] The limit to which the department would go was outlined by Assistant Secretary Huntington Wilson in a communication to the Turkish Chargé in Washington on March 15, 1910, when he told him that the United States would assent to the increase in Turkish customs duties as soon as the Chester concession had been granted.[41] But capitulations were another matter. The United States played this issue more cautiously by suggesting that it might consider further negotiation on the matter after the granting of the concession.[42] The department was not willing, however, to seek the special congressional authorization required before Turkey could obtain the warship she had requested in January, 1910.[43] Straus did dangle tempting bait before the Turks in the form of possible future loans in the United States.[44]

The optimism expressed by the Ottoman-American Development Company throughout March[45] evaporated abruptly in April with evidence that German interests with the help of their embassy were enlisting formidable opposition to the American project. Prior to this time the European powers with vested interests in Turkey had not reacted openly against what they regarded as upstart American interests. The Germans decided not to tolerate a newcomer to the ranks of those interested in the economic exploitation of the Ottoman Empire.[46] It was soon apparent that the influence of the German Embassy was behind the procrastinating behavior of Grand Vizier Hakki Pasha in his refusal to place the preliminary agreement before the Council of Ministers.

The Germans charged that Admiral Chester was merely a front

[40] Straus to Knox, No. 20, March 7, 1910, DS 867.602 Ot 81/–.

[41] Knox to Rustem Bey, No. 35, March 15, 1910, DS 867.602 Ot 81/4A. "Favorable action on this concession would be considered by this Government as showing a sincere desire on the part of your Government to further these [commercial] relations. As giving to the United States a reality of actual material interest in Ottoman dominions it would also justify a more advanced position on the part of this Government in furthering various measures by the speedy consummation of which the present enlightened Ottoman Government so naturally and properly sets great store."

[42] *Ibid.*; Wilson to American Embassy, Constantinople, March 20, 1910, telegram, DS 867.602 Ot 81/–.

[43] See footnote 37.

[44] Straus to Knox, No. 167, May 12, 1910, DS 867.602 Ot 81/15.

[45] Laidlaw to Wilson, March 8, 1910; Janes to Knox, March 26, 1910, DS 867.602 Ot 81/1 and /6.

[46] G. B. Ravndal (Consul-General, Beirut) to the Assistant Secretary of State, No. 316, Nov. 23, 1909, DS 5012/35.

for cunning plans of the Standard Oil Trust which was allegedly angling for control of the oil lands of the Turkish Empire. Whether or not the Germans believed their allegation, the introduction of Standard Oil as a whipping boy was a clever and effective tactic in view of the past and current American attacks on the Rockefeller organization and a suspicious attitude toward the company in some Turkish circles.

The German attack worried officials of the Ottoman-American Development Company who enlisted the assistance of the State Department in an effort to blunt its influence. After company officials hurried to Washington on April 8 with their fears concerning the German-inspired rumors in the Turkish press, an explanation went out to the embassy in Constantinople denying any connection between the Chester interests and Standard Oil with instructions: "You will discreetly cause this to be well known."[47]

This German maneuver complicated Ambassador Straus' efforts to induce the reluctant Grand Vizier to press the project. Arthur Chester and James Colt, the railway construction engineer working with him, told Straus of their belief that the German Embassy strongly opposed the Chester Project because it would compete with the Baghdad railway already under construction. Meanwhile, Hakki Pasha, whose Germanophilia was notorious, found convenient excuses for delay by pleading the priority of imperial problems connected with the Albanian insurrection and affairs in Crete. Straus then tried to force the issue on May 11 by confronting the Grand Vizier with the request for a frank answer as to whether there were political reasons — opposition from Germany or other powers, for instance — which would prevent the granting of the concession to an American company. The Grand Vizier answered in the negative and assured Straus that he would complete his studies in the next ten days; the matter could then be submitted to the C uncil of Ministers after which a report would be made to parliament.[48]

Straus told his superiors in Washington that he might be able to make better headway in unblocking the Chester Project and countering German opposition if the department authorized him to give ground on the important but extraneous issues. Even then, Straus

[47] John R. MacArthur to Wilson, April 6, 1910, telegram; MacArthur to Wilson, April 6, 1910; Wilson to MacArthur, April 7, 1910, telegram; Wilson to American Embassy, Constantinople, April 9, 1910, telegram, all DS 867.602 Ot 81/9, /8, /9, and /10A, respectively. Rustem's reaction to the rumors led MacArthur and Moore (the trouble shooters for the company on this occasion) to think that official circles in Constantinople might be attaching real importance to the German charges. See MacArthur to Chief of the Near Eastern Division (Evan Young), April 9, 1910; Laidlaw to Wilson, April 13, 1910; Wilson to Laidlaw, April 15, 1910, DS 867.602 Ot 81/67 and /12.

[48] Straus to Knox, May 12, 1910, DS 867.602 Ot 81/15.

had deep misgivings about the prospects for the American promoters. He perceived more clearly than his superiors that these gigantic projects collided with the interest of the Great Powers. In his thoughtful analysis of May 12, 1910, he told the department: [49]

> The negotiations appear to me hopeful for the American company; but one can never judge about the ultimate result of any matter of negotiations here, until it is a *fait accompli*. Turkey is so dependent upon the cultivation of good relations with the six great Powers, who practically have in their keeping the political existence of the Empire, that should one or more of these Powers, as for instance Germany or Russia, strongly oppose, this would prove a serious, if not a definite, obstacle to the granting of such a concession. Ordinarily in commercial matters a neutral nation has an advantage, but such is not the case here, where the power to harm counts for much more than good, neutral relations.

It took Washington officials several weeks to comprehend fully that German opposition had thrown obstacles in the path of the American concession-seekers. A naive notion of "Dollar Diplomacy" as a commercial concept had not taken into account the realities of international politics. After he had been alerted by the Ottoman-American Development Company and by Straus, Knox began diplomatic inquiries in the European capitals. Instructions to Berlin on June 3 told Ambassador David Hill "to make a very discreet but strong oral representations [*sic*] to the German Foreign Office on the subject of the German opposition toward our railway enterprises in Turkey." Hill was to refer to the cooperation between the United States and Germany in Liberia, China, and Persia. Knox apparently hoped Hill might appeal to the better nature of the *Wilhelmstrasse* by observing that traffic arrangements could be made which would conserve both German and American railway interests in Turkey. As if these suggestions were not sufficient indication of Knox's inadequate grasp of the power equation, he also empowered Hill to intimate pointedly that if German cooperation was not forthcoming the United States might find it necessary to work with other powers in Turkey.[50]

Very shortly Washington had to ask whether Germany might, in

[49] Straus to Knox, May 12, 1910, DS 867.602 Ot 81/15. The published British, German, and French documents reveal little bearing directly on the Chester Project, but they are instructive of the interests and rivalries of the European Powers in the Near East. See G. P. Gooch and Harold V. Temperley (eds.), *British Documents on the Origins of the War, 1898–1914* (11 Vols.; London, 1922–1927), Vols. V and IX; Johannes Lepsius, Albrecht Mendelssohn Bartholdy, and Friedrich Thimme (eds.), *Die grosse Politik der europäischen Kabinette, 1871–1914* (40 Vols.; Berlin, 1922–1927), Vols. XXVII, XXVIII, XXXI, XXXIII; Ministère des Affaires Etrangères, *Documents diplomatiques français, 1871–1914*, 2d series, 1901–1911 (Paris, 1930–1955), Vols. XII and XIII; 3d Series, 1911–1914 (Paris, 1929–1936), *passim*.

[50] Knox to Hill, telegram, June 3, 1910, DS 867.602 Ot 81/18.

fact, be getting the jump by enlisting the support of the powers against American enterprise in Turkey. The department asked American representatives in Berlin, Paris, Rome, London, and St. Petersburg to make discreet inquiries as to the validity of the rumors that the German ambassador in Constantinople, Baron Marschall von Bieberstein, was endeavoring to secure support from his colleagues for the defeat of the American application.[51] The American ambassadors found no tangible evidence for the conspiracy charge, but the British made it clear that they could not accept any threat to their primacy in the Persian Gulf area.[52]

That the German Foreign Office had little trouble in dealing with Hill is suggested by the latter's response to Knox's instructions. Hill cabled that the "German Government fully upholds our position regarding the open door in Turkey as elsewhere and assert in a memorandum there is not opposition on their part to an American railroad concession in Turkey." Yet Hill was told at the same time that since the American group had taken no steps to come to an understanding with German interests, the latter would naturally seek to protect themselves. But the Germans assured Hill that the government "so far" had "not taken part in the affairs." They felt that the two groups might confer "in which case the German Government would willingly exercise its influence on the German interests in favor of an understanding."[53] Obviously, the bland assurances given Hill in Berlin did not square with the rumored actions of Germany's ambassador in Constantinople.[54]

[51] Knox to American Embassy, Berlin, June 11, 1910, telegram; Knox to American Embassy, Paris, June 11, 1910, telegram, both DS 867.602 Ot 81/118; Laidlaw to Knox, June 14, 1910, DS 867.602 Ot 81/23. Straus considered Marschall von Bieberstein the ablest ambassador in Constantinople. Straus, "My Third Mission to Turkey, 1909–1910," p. 10, Oscar S. Straus Papers, Division of Manuscripts, Library of Congress, Box 11. See also the appraisal in Earle, *The Bagdad Railway*, p. 43.

[52] Hill to Knox, confidential, June 13, 1910, telegram; Bacon (in Paris) to Knox, June 15, 1910, telegram; Reid (in London) to Knox, June 16, 1910, telegram; Leishman (in Rome) to Knox, June 22, 1910, telegram; Leishman to Knox, June 26, 1910, telegram; Post-Wheeler (in St. Petersburg) to Knox, June 29, 1910, all DS 867.602 Ot 81/22, /25, /26, /39, /29, and /36, respectively.

[53] By the time Hill sent his dispatch he had already been visited unofficially by Arthur von Gwinner, head of the Deutsche Bank of Constantinople, who had indicated on maps where, in his view, the American project invaded rights already held by the Baghdad and Anatolian railway concessions. He too complained that the American plan was not one "for bona fide railroad development but a scheme for controlling certain undeveloped oil fields in order to keep their product out of the market." Hill to Knox, confidential, June 13, 1910, telegram, DS 867.602 Ot 81/22.

[54] A few days later Hill forwarded an article from the *Berliner Lokal-Anzieger* of June 21, 1910, which used in a sensational way the same arguments von Gwinner had used on Hill. The article, called "American Artful Dodgers," ran in part as follows: "The general public did not know and does not yet know today just what this Mr. Chester, a straw man of the Standard Oil Company and of the financial groups allied with it, was really after." The article then comments that the concession proposed would give the Americans 16 months in which to lay pre-emptive claims to all minerals in the area which would give them first chance at these resources. The parting sentence reads that "The Turks were on the point of becoming dupes of Rockerfeller's [*sic*] genius, and while they were unsuspecting

The evidence funnelling into Washington during June from Hill, Straus, and the Ottoman-American Development Company pointed clearly to the obstructionist role of the German ambassador. There was, for instance, a report that Baron Marschall had told the Turks at a recent dinner he gave for the Turkish cabinet that the advent of American capital into their country would be harmful and that the Americans were interested solely in securing the valuable Turkish petroleum fields for Standard Oil. Threats and cajolery were reputedly used. Germany might withhold consent to the customs increase if the concession was granted, and there was the attractive suggestion of German support for Turkey in her Cretan difficulties.[55]

For an interval early in June, it had looked as if the Chester Project would reach parliament before its summer adjournment. Ambassador Straus reported that the papers had successfully passed the Council of State; they had then been approved by the War Department and returned to the Council of State. Straus considered the "outlook hopeful" except for the opposition from the German Embassy.[56]

Excitement heightened during the latter part of June. Although time was running out because of the approaching adjournment of parliament, Straus could do little more to meet stern exhortations from Washington that he exert all his power to see the concession through parliament. He did prepare a careful legal argument to refute the latest German attack.[57] Straus reported on June 21 that the case was *in statu quo*; the Grand Vizier had not yet referred the concession to parliament. Straus went on to say that the memorandum from the German government, denying its opposition, was not correct: [58]

British Ambassador informed me again today that German Ambassador

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enough yesterday, today they have something of the feeling of having had a very narrow escape." Translation enclosed in Hill to Knox, June 22, 1910, DS 867.602 Ot 81/34.

[55] Laidlaw to Knox, June 14, 1910; Straus to Knox, June 27, 1910, telegram; both DS 867.602 Ot 81/23 and /30; Gordon, *American Relations with Turkey*, pp. 260–261.

[56] Straus to Knox, telegram undated, received June 2, 1910; Straus to Knox, undated, received June 3, 1910, both DS 867.602 Ot 81/17 and /18. Von Bieberstein then attacked the project directly, protesting that it conflicted with the mining law of 1907 passed as one condition for German consent to an earlier increase in customs duties. As a result of the German attack, the project was sent to a board of Turkish legal advisers for review. Straus to Knox, telegram, undated, received June 18, 1910, 6 p.m., DS 867.602 Ot 81/27.

[57] Knox to Straus, June 18, 1910, telegram; Straus to Knox, telegram, undated (received June 18, 1910, 6 p.m.); Laidlaw to Wilson, June 23, 1910, DS 867.602 Ot 81/24, /27, and /43, respectively. Laidlaw quoted a dispatch from a company agent: "Grand Vizier openly in opposition to mining feature of our proposition. Will do all in our power and the necessary plans are now being made but result is in doubt."

[58] Straus to Knox, undated, received, June 21, 1910, 8:45 a.m., DS 867.602 Ot 81/28. Two men on the four-man legal board had turned in reports holding that the concession did not conflict with the 1907 mining law.

> told him he had opposed it before the Grand Vizier. Only yesterday Austrian Ambassador informed me that German Ambassador has opposed the concession, and stated that as Austrians are interested in the Bagdad railroad they also oppose it as conflicting with their rights.

Despite the concerted efforts of the company, its Turkish supporters, and the mounting pressure from the State Department, parliament adjourned on June 28 without receiving the concession. After this defeat, gloom and disappointment pervaded company quarters making doubtful whether the project would be pursued. Although the Grand Vizier promised to take the matter up after adjournment, the company's representative felt this would be futile, because parliament would not meet for some time and the many amendments suggested would mean further delays.[59]

Straus appraised the failure in terms of German opposition and its effect upon the Grand Vizier and the Minister of War. The latter was particularly opposed to the mineral clauses which relieved the company from building the railroad if, after sixteen months of investigation, it turned out that the mineral and oil deposits within the forty kilometer area were not sufficiently promising. Straus explained that the Germans were in a superior position because they consistently pushed forward their commercial enterprises to advance the political interests of Germany. This was particularly true in the case of the Baghdad railroad project on which the German groups had paid out at least 150,000 pounds in bakshish, some of which was believed to have reached the Sultan himself. "It is a great mistake to believe that any of the government concessions or contracts are awarded under an open competition. The openness as well as the competition are fictions, especially when large contracts or important interests are under consideration.[60] Straus contrasted the German diplomatic support for its commercial enterprises with the inadequate instruments with which the department had provided him. [61]

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The Department of State decided promptly that it would underwrite another attempt to win the Chester concession. Even during the conduct of the "post mortem," influential individuals in the Department of State, unwilling to let the project die, prodded the com-

[59] Straus to Knox, June 27, 1910, telegram; Laidlaw to Wilson, June 28, 1910, both DS 867.602 Ot 81/30 and /33. The exact scope of the amendments suggested is not clear. Among other changes the government apparently was proposing the elimination of the Samsun-Sivas line. Adee to Wilson, Nov. 4, 1910, telegram, DS 867.602 Ot 81/56.

[60] Straus to Knox, No. 208, June 29, 1910, DS 867.602 Ot 81/37.

Two men on the four-man legal board had turned in reports holding that the concession did not conflict with the 1907 mining law.

pany to continue its efforts. Evan Young, chief of the Near Eastern Division, informed Assistant Secretary Huntington Wilson that he had telephoned MacArthur (an investor in the company) to send someone to Washington soon "for the purpose of conferring and mapping out a line of action in order that we may exert every pressure as soon as Parliament convenes looking to the early granting of the concession." [62] The frustrating second trial consumed nearly a year before it ended in failure in June of 1911.[63]

The company's half-hearted and haphazard efforts toward gaining the concession during the autumn and winter months raised doubts among American officials in Constantinople. The earlier enthusiasm of the promoters had turned sour, as their belated surveys indicated the economic prospects for their ventures appeared less promising than anticipated. There was also more than a hint of dissension and lack of cohesion within the company.

From Washington came pressure coaxing the company into a more aggressive course. This tenacious support of the department for the concession effort was surprising in view of the analyses from its agents in the field. Straus, Hoffman Philip, Huntington Wilson (sent on a special mission to Turkey late in 1910), and William W. Rockhill successively sent back pessimistic reports about the possibilities for American commercial enterprise in so notorious an international trouble spot.

Straus drew on his long diplomatic experience in Turkey to observe, as he had in previous dispatches, that "In a country such as this, the political and commercial interests are very closely allied." He felt this was shown in the activities and attitudes not only of Germany, but also in those of Great Britain and France. He told the department categorically that American commercial interests of the magnitude of the Chester concession could not "be successfully advanced and sustained in this Empire without the strong sup-

[62] Yellow memorandum by EEY [Evan E. Young] to Wilson, attached to letter from Laidlaw (see footnote 59). Wilson pencilled "a good idea" on Young's memorandum.

[63] The department took the initiative in recommending that during the interim until the Ottoman parliament should meet again in November, 1910, the company should try to reach an understanding with the complaining German interests. Before this strategy could be implemented, the department abandoned the idea, although why is not clear. The sole clue is a memorandum by Evan Young stating that a departmental conference had decided it was not an opportune time to make overtures to the German groups concerned. David J. Hill to Knox, No. 728, June 22, 1910, DS 867.602 Ot 81/34. Evan Young attached a memorandum (undated, but probably after the Turkish parliament had adjourned) suggesting that "after a very careful consideration of this matter" he believed the department should recommend that the company send one of its Constantinople representatives to Berlin "for the purpose of conferring with the German group." Same file. MacArthur to Knox, July 28, 1910, DS 867.602 Ot 81/41. Evan Young, undated, probably Aug. 2, 1910, same file. During the summer, talks with Russian diplomatic officials showed that accommodation of American and Russian interests could probably be achieved. DS 867.602 Ot 81/38, /40, /42, /44, and /45.

[60] Straus to Knox, No. 208, June 29, 1910, DS 867.602 Ot 81/37.
[61] *Ibid.*; Straus to Knox, June 27, 1910, DS 867.602 Ot 81/30.

port of our Government." If this were tried he saw no escape from involvement in [64]

> the political maze of the "Eastern Question," either on the side of Turkey or on the side of the Triple Alliance. . . . This may not be so apparent in the initial stage as afterwards, when such concession shall have been obtained and the work shall have been begun thereafter. It must be remembered, judging the future by the past and the subtle diplomatic play of the Powers, that a railway, such as the Ottoman American Company is seeking the right to build, will not only meet with obstruction on the part of such Powers as will regard their commercial interest or spheres of political influence affected, but such a Company will most probably meet with serious hindrances on the part of the Ottoman Government seeking to avoid to live up to its obligations under the express terms of any contract it may enter into. In other words, commercial interests of this magnitude will need the strong arm of the Government all the time, not only to advance them but to protect them from unjust encroachment and from the violation of obligations.

Some years later Straus wrote that he had accepted the assignment to Turkey for a third time in 1909 because of his long-standing interest in the philanthropic activities of Americans in the Ottoman Empire. He wished to make secure the legal status and rights of these American activities under definite laws in the new Turkish regime, but felt that the commercial policy of the Taft administration would hinder these objectives as well as involve the United States in Near Eastern affairs "for a few American exploiters." [65]

Reservations on narrower grounds as to the wisdom of supporting the Chester concession were also expressed by Hoffman Philip, in charge of the embassy after Straus' departure for the United States. Philip indicated on October 14, 1910, that Colt, the company's engineer, had recently completed a survey of the territory through which the proposed railway would pass. Arthur Chester, discouraged with the results of the survey, questioned whether the company could attempt the project if it embodied modifications insisted upon, the previous summer, by the Ottoman government. A prevalent opinion in Turkish circles, reported Philip, considered the concession impractical, incapable of becoming a financial success, and perhaps designed for speculative purposes. Even in the face of such attitudes, Philip had tried to promote the interests of the company. His private view, however, was that the company should make a much larger

[64] Straus to Knox, No. 223, Aug. 4, 1910, DS 867.602 Ot 81/46. See also Straus, "My Third Mission to Turkey, 1909–1910," pp. 74–75, 98–99, 133–141, Straus Papers, Boxes IV and XI.

[65] Oscar S. Straus, *Under Four Administrations* (New York and Boston, 1922), pp. 296–298. See also Straus to Taft, Aug. 27, 1910, Box IV, 1909–1919, and Straus, "My Third Mission to Turkey, 1909–1910," pp. 104–105, Box XI, Straus Papers.

deposit in a bank in Turkey to guarantee its good faith and to show that it seriously intended sinking the large amounts of capital required if it won the concession.[66] He expressed surprise that the company had committed itself so deeply on the basis of so little specific and practical information. In view of the Colt report, he suggested that the department inquire carefully into the exact plans and attitude of the company.[67]

The department showed Philip's observations to Colby M. Chester, Jr., to enable the company to state its position. Chester assured the department that the company would not undertake a project which it could not complete, and that "as businessmen we would not undertake anything that was destined to be a failure." Participants did take the position that the company might ask for some changes to compensate for elimination by the Turkish government of profitable features of the original proposal. If the Turks would agree to such changes he could "assure the Department that the road will be built and operated by Americans."[68]

Any reassurance felt by Washington officials must have been quickly dispelled when they received conflicting information from one of their own men, Assistant Secretary Huntington Wilson, who had been assigned a special mission to the Ottoman Empire. Ostensibly as a courtesy gesture in honor of the new regime, he had been designated on September 30, 1910, as ambassador extraordinary on special mission to Turkey. Wilson testified in his memoirs that he "was also expected to look into the pending Chester Concession" and the possibilities for American trade and expansion.[69] His on-the-spot survey must have been a revealing experience, for the tone of his observations was radically different from what it had been before he left Washington.

The information Wilson had received after his arrival increased his "fear that the syndicate may have proposed more than it wishes to perform."[70] There was danger of a fiasco, which would be highly prejudicial to general American prestige. He recommended that the department send for the responsible agents of the company and insist on a definite understanding concerning "their line of action and and efficient execution of their plans."

[66] The company had deposited 20,000 pounds Turkish in the British bank in Constantinople in 1909.

[67] Philip to Knox, No. 257, confidential, Oct. 14, 1910, DS 867.602 Ot 81/53.

[68] C. M. Chester, Jr., Secretary, Ottoman-American Development Company to the State Department, Nov. 1, 1910, DS 867.602 Ot 81/55.

[69] F. M. Huntington Wilson, *Memoirs of an Ex-Diplomat* (Boston, 1945), p. 223.

[70] Wilson was astonished to find that on the day he arrived in Constantinople, Arthur Chester had departed for Vienna. The company had assured the department that both the

Wilson now shared Straus' views on "the weighty questions of policy involved" in efforts to push American commercial enterprise in Turkey. He apparently was not convinced that France and England would welcome the United States as a check to Germany. He also questioned whether it was wise for the United States to have "admitted financial and industrial vested interest" in a country whose internal administration was so chaotic "and which is pressed by such complex outside influences." [71] Recalling his mission years later he wrote: "the very air was thick with German influence." [72] He had felt that Turkey was no natural sphere of interest for the United States in the political sense. To him our heavy interests in the Caribbean area and our newly acquired responsibilities in China gave us as much as we could handle; he could not see any useful purpose in courting rebuff in the Near East. He preferred to lay emphasis on the good that had come from American educational efforts in the Near East. [73]

The department followed Wilson's suggestion that it have an understanding with the company. When Colt visited the department on November 4, he again assured government officials of the group's complete readiness to carry out the revised concession, except that it might require compensation for the omission of the lucrative Samsun-Sivas line. The department cabled Wilson that it had "entire confidence in the good faith of these assurances." [74]

Wilson spent his several days in Constantinople in a series of whirlwind conferences with various top Ottoman officials — the Grand Vizier; and the Ministers of Interior, Public Works, Finance, and War — always stressing the importance his government attached to the granting of the concession. The Turkish officials repeatedly told him that three obstacles stood in the way of the concession: its conflict with the rights of the German Baghdad enterprise; its monopolistic mining provisions; and, finally, the American insistence on the right of forum under article 4 of the 1830 treaty. When the latter issue proved to be the one emphasized by the Grand Vizier before parliament in December, the department gave ground by permitting John R. Carter to inform Ottoman authori-

Admiral and Arthur Chester would be in Constantinople throughout Wilson's visit. Wilson to Knox, telegram, Nov. 2, 1910, DS 867.602 Ot 81/56.

[71] *Ibid.*

[72] Wilson, *Memoirs of an Ex-Diplomat*, p. 227.

[73] *Ibid.*, pp. 227–228. Straus had presented essentially these same ideas to Secretary Knox on Oct. 25, 1910, after the former's return to the United States. Straus, "My Third Mission to Turkey, 1909–1910," pp. 137–138, Straus Papers.

[74] Adee to Wilson, Nov. 4, 1910, telegram, DS 867.602 Ot 81/56. Adee told Wilson that the company was ordering Arthur Chester back to Constantinople, although Chester did not return for more than a month, that is, until a few days after Colt had arrived from the United States.

ties that "this obstacle could be overcome." [75] Knox told Carter, confidentially, that the department was drafting a proposed convention interpreting this right in a way that might satisfy Turkey.[76]

Laborious negotiations continued into 1911 with a Turkish cabinet crisis complicating their progress in February.[77] The Turks shifted the basis for their delay again claiming that it was not yet acceptable to the Germans. The Minister of War told Carter that "nothing would compensate [the] Ottoman Government for the loss of German friendship." [78]

The will of the company to continue its efforts showed signs of breaking before the end of March. The delays and deceits of oriental diplomacy were proving too much for the American promoters, who were preparing to instruct their Turkish representatives to deliver to the Ottoman government an ultimatum that, if the concession was not granted by May 1, the company would withdraw. The department urged that these instructions be withheld until a further report could be requested from the embassy.[79] A dispatch already on the way to Washington explained that with so little remaining to be done, the issue should be decided within a few days.[80]

More than a month passed before Carter sent encouraging news that all disputed points had been settled, that the application had gone to the Council of Ministers, and that it would probably reach

[75] At the time of Huntington Wilson's special mission to Constantinople, the department did not want the embassy in the hands of a Chargé. Carter was transferred from Bucharest to be temporary Minister. Adee for Knox to Carter, Oct. 20, 1910, DS 867.602 Ot 81/59A.

[76] Carter to Knox, Dec. 19, 1910, telegram; Carter to Knox, No. 294, Dec. 20, 1910, DS 867.602 Ot 81/61 and /62. "Although the controversy between the Governments of the United States and the Ottoman Empire over the interpretation of article 4 of the treaty of 1830 is of long standing, but few cases calling for the application of the provision of that article have actually occurred, and therefore under present conditions the question is perhaps academic rather than practical. It is clearly recognized, however, that the granting of the railway concession will bring about such a change in the existing conditions as to render very desirable a more definite and mutual understanding in regard to this matter, and when the necessity for such an understanding thus becomes evident this Government will be glad at once to enter into the negotiation of a convention which shall make appropriate concessions in the matter of the right of forum." Knox to Carter, Dec. 22, 1910, telegram, DS 867.602 Ot 81/61.

[77] Carter to Knox, confidential, Feb. 16, 1911, DS 867.602 Ot 81/75. During this stage the disagreement over the Mediterranean terminal was in the foreground. Carter to Knox, Feb. 1, 1911, telegram; Knox to Carter, Feb. 4, 1911, telegram; Carter to Knox, Feb. 5, 1911, telegram, all DS 867.602 Ot 81/70; Evan Young, Memorandum for Wilson, Feb. 1, 1911, DS 867.602 Ot 81/73.

[78] Carter to Knox, Feb. 1, 1911, telegram; Carter to Knox, Feb. 5, 1911, telegram, both DS 867.602 Ot 81/70. The Grand Vizier made the absurd claim that negotiations had been going on for only three months which prompted Carter to retort, more accurately, that they had been started more than two years earlier. Carter to Knox, confidential, No. 332, March 8, 1911, DS 867.602 Ot 81/77.

[79] EEY [Evan Young] to Wilson, Memorandum, March 21, 1911; Wilson to embassy, Constantinople, March 21, 1911, telegram, DS 867.602 Ot 81/77A.

[80] Carter's optimism was tempered by a closing observation that "in any other country I should say that the negotiations were practically finished, but my brief experience here has taught me that Turkey has very special methods of its own, so that I dare not be too sanguine." Carter to Knox, No. 333, confidential, March 15, 1911, DS 867.602 Ot 81/79.

the parliament in a few days.[81] Another of the periodic ministerial crises then intervened to cause further delay.[82] Carter wrote the department that "It is difficult to explain these dilatory proceedings; and all sorts of suggestions are made to us as to their origin . . . among them . . . 'bakshish.'"[83] On May 14 Carter finally cabled that the Grand Vizier had signed the project and it was now in the hands of parliament for the first time.

At the department, tension and expectation increased during the latter half of May in view of the impending adjournment of parliament. The session was prolonged a few days beyond its projected adjournment to consider the railway plan and the budget. The blow fell on June 1, 1911, when parliament voted 77 to 64 to postpone consideration until the next session on grounds that too little time remained to consider it intelligently. Carter was convinced that this was a "preconceived plan to defeat [the] project" on the part of the Grand Vizier.[84]

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The news from Turkey that the concession had not been approved by parliament created consternation in the New York office of the Ottoman-American Development Company where some participants showed a "strong disposition to give up the whole proposition." This time encouragement to continue the fight came from Minister Carter in Constantinople, who now argued that the difficult work had been accomplished in getting the concession before parliament where there was enough favorable sentiment to augur well for affirmative action during the autumn session. With this in mind, he cabled: "Earnestly hope that the Department will persuade the Ottoman Development Company not to abandon the project but at least wait until the autumn session of Parliament. . . ." Fortified to reconsider by Carter's optimism, Admiral Chester wrote the department that the full board would meet soon to make the decision. He felt sure that company officials would be "ready

[81] Carter to Knox, April 22, 1911, telegram, DS 867.602 Ot 81/82; Wilson to MacArthur, confidential, April 25, 1911, DS 867.602 Ot 81/84; Carter to Knox, April 26, 1911, telegram, DS 867.602 Ot 81/86.

[82] Carter to Knox, May 6, 1911, telegram, DS 867.602 Ot 81/87; Hoffman Philip to William W. Rockhill, May 8, 1911, William W. Rockhill Papers, Houghton Library, Harvard University.

[83] Carter to Knox, No. 348, confidential, May 12, 1911, DS 867.602 Ot 81/100.

[84] Carter to Knox, May 14, 1911, telegram; Wilson to Carter, May 15, 1911, telegram; Carter to Knox, May 16, 1911, telegram; Knox to Carter, May 22, 1911, telegram; Carter to Knox, May 23, 1911, telegram; Carter to Knox, May 26, 1911, telegram; Carter to Knox, May 27, 1911, telegram; Carter to Knox, June 1, 1911, telegram; all DS 867.602 Ot 81/88, /89, /91, /91A, /93, /94, /96, and /99 respectively.

to come to Washington and arrange for the next campaign to be carried on under the American Flag in Turkey." [85]

After Secretary Knox and Assistant Secretary Wilson had seen the Admiral's letter, the Near Eastern Division wrote the Admiral that the department was "much gratified" to learn of the company's plans to continue its efforts, and assured the company of "all possible proper support." [86] The company then announced early in September that it intended to send its authorized representative to Constantinople before the opening of the approaching session of parliament.[87]

The extent of the administration's commitment to the Chester Project is revealed in the instructions to the new ambassador to Turkey, William W. Rockhill, veteran diplomat and orientalist, reassigned from St. Petersburg. In the name of President Taft, Secretary Knox instructed Rockhill in a private letter of June 17, 1911, to direct his energies constantly "to the real and commercial rather than the academic interests of the United States in the Near East." [88]

Rockhill soon mastered the previous history of the difficult negotiations for the railway concessions.[89] The chances for approval at the forthcoming session appeared reasonably good to him, but he thought the company should have an agent on the spot who should not even overlook "the judicious expenditure of money" as a method of dispelling "the adverse influences. . . ." All companies had found such methods needed in Turkey and other Oriental countries.[90]

The bold measures urged by Rockhill came to naught with the development of a crisis from which the company could not recover. At issue was a rift within the company, deepened by the outbreak of war between Turkey and Italy in September, 1911, which influenced the decision of important elements of the syndicate to withdraw their financial support. The department's first intimation that the company contemplated withdrawing the deposit of 20,000 pound Turkish (which had been on deposit at the British bank in Constantinople for two-and-a-half years) came from Colby M. Chester, Jr., on September 28. Chester revealed that some members of the syndicate felt that the Italo-Turkish War would occupy the

[85] Carter to Knox, June 1, 1911, telegram; Carter to Knox, June 4, 1911, telegram; Admiral Chester to Evan E. Young, June 22, 1911, all DS 867.602 Ot 81/99, /101, and /104, respectively.

[86] Young to Chester, June 27, 1911, DS 867.602 Ot 81/104.

[87] J. W. Colt to Wilson, Sept. 2, 1911, DS 867.602 Ot 81/109.

[88] Knox to Rockhill, June 17, 1911 (carbon in DS 867.602 Ot 81/102A); Rockhill "Diary," Vol. IV, May 2, May 4, Aug. 3, Aug. 6, Aug. 28, all 1911, Rockhill Papers.

[89] Rockhill to Knox, No. 16, Sept. 18, 1911, DS 867.602 Ot 81/111.

[90] *Ibid.*; also Rockhill to Knox, Oct. 10, 1911, telegram, DS 867.602 Ot 81/115.

full attention of parliament in November, and they would, therefore, be unwilling to continue their share of the cautionary deposit. In this case, the other members felt they would be obliged to withdraw the entire sum, although there was talk of redepositing the amount when conditions became more promising. An official of the department summarized the syndicate's argument, as follows: [91]

> That they have for almost three years tied up approximately $88,000 pending a result to negotiations which have involved their yielding to the wishes of the Turkish Government on every point, and have resulted in nothing more than the same assurances that were held out to them at the beginning. They do not fear that there is danger of the Turkish Government's giving the concession to other applicants while their claims remain in abeyance. They are convinced, on the other hand, that the withdrawal of the deposit will induce the Turkish Government to reach a definite decision whether or not it desires to grant the concession to the Development Company.

As the debate continued among members of the syndicate, the internal differences became more pronounced.[92] Finally, the Board of Directors informed the department on October 18, 1911, of its final decision to withdraw its application and the money deposit. The "controlling interests" argued "that conditions have so wholly changed since the concession was first sought that, if obtained, it would probably be burdensome and difficult or impossible to finance, and they are unwilling to proceed further in the matter." [93] While professing a desire to carry out the railroad project, the company pressed for changes in the terms of the concession, arguing that it had ceased to be a sound business proposition as then drafted. Unless modifications could be arranged, the company was determined to drop the project.[94]

[91] MacMurray to Wilson, "Memorandum of a Conversation with Mr. Chester in regard to the Concession Sought by the Ottoman American Development Company," Sept. 28, 1911; Adee to Rockhill, No. 24, Oct. 12, 1911; Knox to Rockhill, Oct. 18, 1911, telegram; Rockhill to Knox, Oct. 19, 1911, telegram; DS 867.602 Ot 81/110, /113, /117, and /118, respectively.

[92] MacArthur brothers felt "that this was a very inopportune time to show a lack of confidence in Turkey's good faith or a feeling of insecurity with regard to the deposit of some $90,000 which the syndicate has in Turkey," but they failed to convince their colleagues. C. W. Fowle to Adee, Oct. 4, 1911; John R. MacArthur (personally as a member of MacArthur Bros.) to Adee, Oct. 13, 1911, DS 867.602 Ot 81/114 and /116. For further evidence of the opinion among some elements of the syndicate that the Chesters had not been well suited for the negotiations and should have been withdrawn earlier, see J. G. A. Leishman (Ambassador to Italy) to Knox, Personal, Oct. 4, 1911, DS 867.602 Ot 81/119.

[93] J. W. Colt to Knox, Oct. 18, 1911, DS 867.602 Ot 81/117.

[94] The company expressed willingness to reopen negotiations on the basis it had originally suggested by which Turkey would grant either a kilometric guarantee with mining privileges, such as other railway concessions had included, or some other form of subsidy. If the Turks did not want to proceed on these terms, the company proposed as an alternative that the concession contain a twelve-month option for preliminary reconnaissance and study of traffic and resources along the projected routes. If further work seemed warranted the company would deposit 30,000 pounds Turkish and proceed with the work, but if they were not satisfied after the survey they would surrender to the Turkish government the studies already made. The mining provisions must, of course, remain in the bill. Colt

Concurrently with the efforts to force modifications in the terms of the concession, a frantic effort was being made to obtain sufficient financial backing to replace that withdrawn.[95] Failure in both efforts was the result. Pasdermadjian, the friendly deputy from Erzerum, notified Colt on November 7, 1911, that "No modification whatever" was possible in the bill.[96] The company did not at once give up its efforts to bring in other capital, but finally concluded it was "hopeless to seek to interest American capital unless the modifications which we set forth early in November are granted." It would only put both the company and the department in an awkward position if the concession were granted on the terms laid down in the bill now unacceptable to the company.[97]

Until the end, the department had refused to give official sanction to the withdrawal. The syndicate had proposed that the Department of State lend prestige to its withdrawal by allowing it to announce that the action was taken upon the advice, or at least with the concurrence, of the department. After Adee and Wilson counselled Secretary Knox against official endorsement of the withdrawal, the company was informed of the department's attitude, and Knox made it clear to Ambassador Rockhill that "this Department, while unable to acquiesce in this decision is not in a position to avert such action by the Company." [98]

Adee in Washington and Rockhill in Constantinople did not concur in the belief of the Ottoman-American Development Company that the Turco-Italian War posed an insuperable obstacle to the concession's chances in the autumn of 1911. On the contrary, with a favorable change in cabinet personnel and the diminution of German opposition the prospects had seemed quite bright. Although the uncertainty created by the war contributed to the internal troubles within the company, it is clear that the root of the company's troubles lay in the unwillingness of the majority interests to accept the concession without major modifications.[99]

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to Knox, Oct. 31, 1911; Adee to Rockhill, Nov. 2, 1911, telegram, confidential, DS 867.602 Ot 81/126 and /121.

[95] CWF (Charles W. Fowle) to Adee, Oct. 27, 1911, concerning conversation with Admiral Chester; Adee to Rockhill, confidential, Nov. 2, 1911, telegram; Knox (by Adee) to Rockhill, Nov. 10, 1911, telegram, DS 867.602 Ot 81/120, /121, and /124.

[96] Rockhill to Knox (from Pasdermadjian for Colt), Nov. 7, 1911, telegram; DS 867.602 Ot 81/124.

[97] Rockhill to Knox, Nov. 18, 1911, telegram; MacArthur to Fowle, Dec. 4, 1911, DS 867.602 Ot 81/131 and /140.

[98] MacMurray to Wilson, "Memorandum," Sept. 28, 1911; Adee to Knox, Memorandum, Sept. 30, 1911; Adee to Knox, Memorandum, Oct. 18, 1911; Knox to Rockhill, Oct. 18, 1911, telegram; Adee, acting, to Rockhill, No. 30, Oct. 20, 1911, all DS 867.602 Ot 81/110, /112, and /117.

[99] Adee to Knox, Memorandum, Sept. 30, 1911; Adee, acting, to Rockhill, No. 24, Oct. 12, 1911; Adee to Knox, Memorandum, Oct. 18, 1911; Rockhill to Knox, Oct. 26, 1911, telegram; Charles W. Fowle to Adee, Memorandum, Oct. 27, 1911; Colt to Knox,

Embarrassment on all sides followed the company's withdrawal. The chagrin in the department was matched by the dismay among the Turkish supporters of the concession, for the bill was still scheduled to come up in parliament and its friends were in doubt as to what action the company would take if the bill passed. They believed that "withdrawal of [the] deposit was only a protest against dilatoriness of [the] former administration." [100]

Now that Washington officials had burned their fingers badly, the Taft administration hastened to disengage itself as completely as possible from its untenable position. By the end of the year, the department had reverted to the traditional policy of avoiding possible political involvement in the Eastern Question.[101] Rockhill was instructed "to take necessary steps to obviate further purposeless discussion of [the] present bill in Parliament, and to refrain from all further connection with [the] project" unless terms agreeable to both the Ottoman authorities and the company had been agreed upon.[102]

The department could not complain that Ambassador Rockhill had lacked zeal in trying to implement the policy of the department. He had played the role in spite of his personal misgivings that nothing would come of the efforts of the syndicate. These views he could pour out in a personal letter to a friend in the State Department. He was disgusted, "but in no way surprised, by the ending of the Ottoman American Development Company's schemes. . . ." This collapse, he believed, would make it difficult for the embassy to attempt additional efforts for "any further participation of American financial or industrial enterprise in this country." [103] In Washington, too, the department felt it had been let down awk-

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Oct. 31, 1911; MacArthur to Fowle, Dec. 4, 1911, DS 867.602 Ot 81/112, /113, /117, /120, /126, and /140.

[100] Rockhill to Knox, Oct. 26, 1911, telegram, DS 867.602 Ot 81/120. Early in November the Erzerum deputy, Pasdermadjian, urged the company to redeposit the cautionary money, and guaranteed acceptance of the project if this was done. Rockhill to Knox (from Pasdermadjian for Colt), Nov. 1, 1911, telegram, DS 867.602 Ot 81/121.

[101] Contemporaneously, the department even discouraged suggestions that the United States offer its services as a mediator during the Italo-Turkish War of 1911-1912 on grounds that the Middle East was a European question; it was argued that the United States should not irritate the European Powers by injecting itself into the situation, and no excuse should be given for European interference in the Western Hemisphere. William C. Askew, *Europe and Italy's Acquisition of Libya* (Durham, 1942), pp. 163-164, 241-242; Askew and Rippy, *Journal of Politics*, Vol. IV, pp. 73-74.

[102] Knox to MacArthur, Dec. 7, 1911, telegram; Knox to Rockhill, Dec. 8, 1911, telegram, both DS 867.602 Ot 81/136; Rockhill, "Diary," Vol. IV, Dec. 12, 1911, Rockhill Papers.

[103] Rockhill to MacMurray, Nov. 6, 1911, Rockhill Papers. "The Department is very anxious, I know, to extend our relations here; but how the devil are you going to do it if nobody in America, I mean in the business world is willing to give to the extension of our interests in this country either time or trouble or even to pledge to keep good faith with the people here in case something is given them. I trust that you, in your wisdom, will give me full instructions as to how I am to act here because I really don't see what we are to do in the matter of carrying out the wishes of our country."

wardly and that American prestige had suffered as a result of the failure of a project pressed so strongly by American diplomats.[104]

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Admiral Chester did not give up easily. Early in 1912 he approached the State Department again explaining that the syndicate had been reconstituted and was now stronger financially than before, although he did not give details.[105] This time chastened Washington officials outlined a more cautious policy. Rockhill received instructions that "the Department is disposed neither to assist nor to encourage any effort to revive the project" until the financial strength and seriousness of purpose of the backers were clear beyond a doubt. Assistant Secretary Adee described the new attitude as one of "benevolent neutrality" until the new syndicate made good on its own.[106]

The suspicions of the department were warranted; the Admiral's assurances that strong new financial backing had been found were apparently premature. Some months after the Admiral's visit, the Chester interests asked the banking firm of J. P. Morgan & Company to participate in the scheme. Before committing itself, this company sent John R. Carter, formerly of the State Department, to Turkey in June of 1912 to learn the status of the project and the condition on which the Ottoman government was willing to approve it. The results of the inquiry did not make Carter sanguine about the prospects for obtaining the concession, and the Morgan company did not become involved.[107]

Apparently the State Department heard no more from the Chester interests until after the Wilson administration had been installed, when they made another futile attempt to bring about a reversal of official policy in their favor. On July 1, 1913, Colt wrote Secretary of State William J. Bryan that a new company called the Ottoman-American Exploration Company had been formed and its agent sent to Constantinople where he was negotiating with the Ottoman authorities. The company stated that it was going after the same railroad and mining concession which the defunct company had sought.[108]

[104] MacMurray to Clark, Memorandum, Feb. 28, 1912; Wilson to Rockhill, No. 109, Feb. 29, 1912, DS 867.602 Ot 81/146.

[105] Memorandum by MacMurray, Feb. 29, 1912; Memorandum, MacMurray to Clark, Feb. 28, 1912; Wilson to Rockhill, No. 109, Feb. 29, 1912, DS 867.602 Ot 81/147, /146, and /146.

[106] *Ibid.*; MacMurray to Rockhill, March 12, 1912, Rockhill Papers.

[107] Colt to Knox, June 7, 1912; Rockhill to Knox, No. 227, June 22, 1912, DS 867.602 Ot 81/149 and /152.

[108] Colt to Bryan, July 1, 1913; Colt to MacMurray, July 1, 1913, DS 867.602 Ot

The new company sought from the department as strong an endorsement as possible, but the Wilson administration was not disposed to reverse the chary attitude which the Taft administration had finally adopted. An intradepartmental memorandum expressed the policy position to which the government had reverted after three years of active diplomatic intervention to secure extensive economic rights in the Ottoman Empire: [109]

> the obtaining of this concession — which, though purporting and purposing to be purely commercial in character, could not be divested of political bearings — would result in no real and permanent national advantage to this country, but would, on the other hand, entail upon this Government the liability to very serious obligations which might involve us in the international politics of Europe and the Near East, which we have always been solicitous to avoid.

Accordingly, the department instructed the Constantinople embassy that the new company must deal primarily with the Ottoman government expecting from the United States government only the usual support given American enterprises abroad both in its negotiations for the concession and in its use if obtained.[110]

The department's policy disappointed the company, which tried to convince the State Department that more positive assistance was imperative if the company was to compete on equal terms with government-backed European interests. The chances for success seemed fairly favorable, the company believed, if the State Department would use for bargaining purposes the desire of the Ottoman authorities to raise customs duties from 11 per cent to 15 per cent, to which the United States must assent according to treaty.[111]

The department replied in January, 1914, that in authorizing the Constantinople embassy to consent to the increase in Turkish customs, the ambassador was instructed to request a pledge from the Turkish government that it would "grant fair consideration to American merchants, manufacturers and contractors who may desire to participate in the commercial and industrial development of Turkey." The company considered the proposed line of attack far short of what was required and argued that a mere hint was not

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81/154 and /153. The principals in the new company were MacArthur Brothers Company, C. M. Chester, Jr., H. C. Keith, and Colt. See also Moore to Colt, Nov. 21, 1913, and Colt to Moore, Dec. 9, 1913, DS 867.602 Ot 81/156 and /159.

[109] MacMurray to John Bassett Moore, Memorandum, July 12, 1913, DS 867.602 Ot 81/154. Moore was in general agreement with this point of view. Moore to MacMurray, Memorandum, July 12, 1913, same file.

[110] Moore to Hoffman Philip (Chargé d'Affaires), Constantinople, No. 261, July 24, 1913, DS 867.602 Ot 81/154.

[111] Moore to Colt, July 24, 1913; Colt to Moore, Nov. 15, 1913; Colt to Moore, Dec. 9, 1913, DS 867.602 Ot 81/154, /156, and /159.

sufficient for the Oriental mind unless accompanied by real pressure such as the embassies of other nations exerted in behalf of their citizens. Colt suggested that the instructions be strengthened with a statement that the United States government insisted upon a favorable consideration of the desired concession. "Unless something of this kind is done," Colt wrote, "I fear that we may as well consider our matter as dead." [112]

This gratuitous advice to the department on how to run its business exhausted the patience of State Department officials and elicited the following curt reply: [113]

> I have to advise you that the instructions heretofore given by the Department were sent out after full consideration of all the various aspects of the situation on which this Government was called upon to act, and that the language originally used by the Department in stating the conditions on which consent would be given to an increase of customs duties is thought to cover the ground sufficiently and to be fair to all the various interests concerned.

With this letter the Chester Project drops out of the State Department files until 1920 when the Admiral sought to revive it as a method of meeting the oil shortage scare.[114]

This first serious flirtation with the Eastern Question had exposed America's lack of sophistication for major league international politics in Asia Minor. Both the American businessmen and the State Department found themselves outmaneuvered. The evidence available casts doubts on the competence of the negotiators, who proposed a grandiose undertaking without adequate surveys and with little appreciation of the international complications certain to accompany their proposed entry into a country already heavily mortgaged to the Great Powers.

In Washington, President Taft and Secretary Knox became ardent supporters of the Chester Project, not because of congressional or public pressures, for there were none, but because the administration wished to employ the engines of diplomacy to promote American business activity abroad as part of its policy of "Dollar Diplomacy." Ambassador Straus and others in the field judged correctly when they insisted that American commercial penetration of the Ottoman Empire would require a political policy. But the time was not ripe. As yet the ambitious commercial interests comprised

[112] Moore to Colt, Jan. 15, 1914; Colt to Moore, Jan. 24, 1914, DS 867.602 Ot 81/160 and /161.

[113] Moore to Colt, Feb. 3, 1914, DS 867.602 Ot 81/161.

[114] For a detailed treatment of the postwar Chester Project, see John A. DeNovo, "Petroleum and American Diplomacy in the Near East, 1908–1928" (Ph.D. thesis, Yale University, 1948), Chap. 8.

only a negligible group, and there was no popular ground swell demanding intervention. The possible commercial advantages did not appear commensurate with the political risks which would accompany a permanent abandonment of the long-standing policy of abstention from the politics of the Eastern Question. The issue was raised, but not faced squarely, as to whether commercial prospects were more important than humanitarian stakes Americans had built up in the region, and whether the latter would be helped or hindered by American political involvement at that particular time. These issues would arise again in changed contexts and with different results. In the meantime, the United States had reverted to its traditional abstention from the international politics of the Eastern Question.

The Premises Of Business Revisionism

The Revisionist trend in American business history has been shaped by values, premises, logic, and procedure that bear certain striking similarities to Marxism, most clearly seen in the Revisionists' acceptance of the inevitability of abuse in capital accumulation.

by Gabriel Kolko

CAMBRIDGE, MASSACHUSETTS

If there is one issue upon which the opposing sides in the debate over relativism agree, it is that all historians have values and that the denial of their influence in written history serves no useful purpose. Disagreements would immediately arise, of course, whether the validity of a statement or a history is lessened because of the value biases of the historian, but for the purposes of this article the reasons for unanimity are the more significant.[1] The primary reason for theoretical agreement, as distinguished from practical application, is the belief that unspecified values

[1] There have been innumerable participants in the battle, but some representative discussions can be found in Morris R. Cohen, *The Meaning of Human History* (LaSalle, Ill., 1947), p. 80 ff.; Ernest Nagel, "The Logic of Historical Analysis," in *Readings in the Philosophy of Science*, Herbert Feigl, ed. (New York, 1953); Bert James Loewenberg, "Some Problems Raised by Historical Relativism," *The Journal of Modern History* (March, 1949); Gunnar Myrdal, "The Relation Between Social Theory and Social Policy," *The British Journal of Sociology* (Sept., 1953), pp. 238–242 ff.; Charles A. Beard, "A Memorandum on Social Philosophy," *Journal of Social Philosophy* (Oct., 1939); Committee on Historiography, *Theory and Practice in Historical Study* (New York, 1946), pp. 117, 125–127.

allowed to pass as the objective findings of the historian create the real danger of written history becoming a mere reflection of an individual's idiosyncrasies or ideology. Even though the historian may deny that his researches have any contemporary implications or function, and in innumerable fields he may be correct, the historian of recent times has no defense on this count, for every causal statement, every sequence, and every use of the word "because" amounts, implicitly or explicitly, to an evaluation of the nature and direction of history. Whether that evaluation is right or wrong is irrelevant, for the fact remains it is made.

Although the debate over methodology among historians has subsided in the past decade, the need to understand the constant importance of value premises in historical writing is still indispensable for those desiring to sift the grain from the chaff in historical research. The focus of this article is on the value premises of the historians of American corporations and business leadership who have broken with the critical view of American economic development which dominated historical writing up to about the Second World War. For convenience I shall label this tendency as Business Revisionism. It is my thesis that this school, though generally unorganized, reflects a rather detailed set of unacknowledged value assumptions and, despite their general claim to objectivity, these premises have far-reaching implications to functional social theory and are, in effect, conservative. To help illustrate the nature of their values I shall make comparisons between some of the major assumptions and analyses of Business Revisionism and aspects of Marxism, and attempt to show how conclusions and generalizations not sustained by the analyses upon which they purport to be based are often finally dependent on implicit value judgments. It is not my aim, needless to say, to show that in all particulars Business Revisionism parallels Marxism in all its ideas or methodological principles. Yet strongly identical elements enter into both analyses, and for the sake of examining the basic premises of the Business Revisionists it is the similarities rather than the substantial disagreements which will be stressed.

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One of the legacies of the tradition of Progress which Marx accepted was the notion that an inevitable chain of interdependent changes in the social structure, whether caused by technology, ideas, or both, would result in a final social order in which the dynamics of change would end and, in Marxism's case, the socialist society

would be realized. Although he enmeshed it with Hegelian dialectics and gave each phase a vastly more concrete and detailed economic and sociological consideration, thereby taking, as Marx believed, dialectics off its head and standing it upright, Dialectical Materialism is still very much in the millennial tradition of Condorcet's ten epochs of human development or Comte's three stages of human knowledge.

Since the economic factor is dominant "in the last analysis," as Engels phrased it, human actions, protests, and ideas cannot change the basic course of economic and historical development. As part of an interdependent process, the present stage of economic development, and human suffering, was inexorably determined by its precedent. "Men are not free to choose their productive forces; for every productive force is an acquired force, the product of former activity."[2] This conception of man's invariable role in an inevitable historical and economic development moves history into, as Karl Popper has suggested, "The Kingdom of Necessity." The person who dissents, who asserts that man can make history as well, is, as the orthodox Marxist would have it, an idealist.

This necessity was so fixed in the course of history that any attempt to circumvent the workings of the process of capital accumulation, to end the basic cause of human suffering before monopolization had taken place, would be premature and destructive. As J. Martov, Lenin's leading adversary within the Russian Marxist movement correctly interpreted Marx, ". . . the proletariat can score a victory over the bourgeoisie — and not for the bourgeoisie — only when 'the march of history will have elaborated the material factors that create the *necessity* . . . of putting an end to the bourgeois methods of production.' "[3]

If history moves inevitably and irresistibly toward the final synthesis – a most desirable end – what happens today cannot *really* be wrong or evil, however cruel it may seem in and of itself and however much it grates our sensibilities. For implicit in Marx is a rationalization of the present for the future. Virtually built into the concept of Historical Materialism is the assumption that the end of history is known and every economic change today, even if it involves human suffering, brings us closer to a desirable tomorrow, and is in this sense progressive. Although the capitalist is not necessarily absolved morally — Marx does not say this explicitly — he

[2] Karl Marx, quoted in V. Gorden Child, *What is History?* (New York, 1953), p. 78.
[3] J. Martov, *The State and the Socialist Revolution* (New York, 1938), p. 59. (Italics in original.)

nevertheless is absolved functionally by virtue of the basic role he *must* play in the necessary and desirable process of capital accumulation. After all, the task of the exploiter is to exploit, and a man moved by the laws of history (which move him, and not visa versa) is no more the fit subject of moral condemnation than the psychotic who steals or murders.

Marx' writings are therefore understandably saturated with oblique admiration for the capitalist and his material achievements. "The bourgeoisie, historically, has played a most revolutionary part."[4] Capping this compliment Marx adds: "It has been the first to show what man's activity can bring about. It has accomplished wonders far surpassing Egyptian pyramids, Roman aqueducts, and Gothic cathedrals. . . ."[5] "The bourgeoisie, during its rule of scarce one hundred years, has created more massive and more colossal productive forces than have all preceding generations together."[6] The logical outcome of this reasoning was a doctrine which made industrialization a fetishistic means to a utopian end which has yet to be realized in practice.

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In terms of an attitude toward capital accumulation, the outspoken admiration of the process and belief in its inevitability which characterizes Marxism, and which is so much a part of its theory of historical dynamics, finds striking parallels in a "secularized" version among some American historians today. As the most prominent and active revisionist of American business history, Allan Nevins states it:[7]

> It will yet be realized that the industrial revolution in the United States came none too soon, and none too fast; and that the ensuing mass production revolution as yet so little understood by Americans, was not born a day too soon. . . . We shall also come to realize that the turmoil and human suffering which *inescapably* accompanied the industrial revolution were not after all a tremendous price to pay for the benefits. Great business aggregations are not built without frustrating, crushing, or absorbing multitudinous small enterprises. To many caught in the midst of the transformation, its

[4] From "The Communist Manifesto" reprinted in Karl Marx, *Capital, The Communist Manifesto and Other Writings*, Max Eastman, ed. (New York, 1932), p. 323.

[5] *Ibid.*, p. 324.

[6] *Ibid.*, p. 326.

[7] Allan Nevins, "New Lamps For Old in History," *The American Archivist* (Jan., 1954), p. 12. Allan Nevins, *Study in Power: John D. Rockefeller, Industrialist and Philanthropist* (New York, 1953), Vol. I, p. viii. [Italics: G. Kolko.] "In the field of business history moral strictures, however enticing, cannot be substituted for a scientific study of *rigid economic causes and compulsions*. Lloyd, failing to understand that the movement for industrial concentration was primarily a reaction against deep-seated evils and a response to *irresistible economic forces* . . . fails to do any justice to its beneficial side." Allan Nevins, letter in *The American Historical Review* (April, 1945), p. 688. [Italics: G. Kolko.]

> destructive and exploitive aspects seem paramount. The leaders of the process appeared as "robber barons" and the process itself the "great barbecue." This is one facet of the truth, but there are others. The constructive aspects of the transformation were in the long run more important than the destructive; the development of new wealth far outweighed the wastes of existing wealth.

The beginning of a major reinterpretation of the value of the American business leader and capital accumulation was perhaps anticipated by Ida Tarbell in 1936, when she wrote "Still clearer was it that the leadership of strong men was the price the country was paying for its rapid development as well as for more abundant comforts and cheaper luxuries." [8] A few years later Louis Hacker, upon leaving the editorship of *The Marxist Quarterly*, wrote an intellectually ambivalent history of American economic growth which perhaps best captures the parallel logic of the Marxists and the Business Revisionists. Using such descriptive terms as "unearned increment," "hard bitten and dangerous antagonists," "corrupting government officials," etc., Hacker concluded that "The capitalism I have described gave us the physical means of achieving abundance. . . ." [9] Allan Nevins, in his two-volume history of John D. Rockefeller and Standard Oil, in 1940 saw in Rockefeller's ability to rationalize the oil industry a value in itself — "Quite apart from this issue of ethics, the time was to come when the Standard would be praised for its pioneering qualities and for its demonstration of the useful possibilities of large scale organization." [10] And, all valuations apart, ". . . from the vantage point of a later day we can see that many crusaders were blind to the larger tendencies of the time. They did not realize that industrial concentration was now a world-wide movement. . . ." [11]

Marxism is monolithic in its theory of economic causation — monopolization and large-scale capital accumulation is the necessary outcome of definable historical law. Despite the absence in their philosophy of anything quite as sophisticated and mechanistic as Historical Materialism, most Business Revisionists nevertheless accept monopolization and aggressive capital accumulation as inevitable, and thereby preserve the content of Marxism even though it loses much of its form. Concomitant to this is the mutual admiration of capitalists, and not merely capitalism, as organizationally and technologically progressive, which was also a characteristic of Marx.

[8] Ida Tarbell, *The Nationalizing of Business: 1878–1898* (New York, 1936), p. 268.
[9] Louis M. Hacker, *The Triumph of American Capitalism* (New York, 1940), p. 434.
[10] Allan Nevins, *John D. Rockefeller: The Heroic Age of American Enterprise* (New York, 1940), Vol. I, p. 683.
[11] *Ibid.*, Vol. II, p. 127. See Tarbell, *Nationalizing*, p. 270, for the same theme.

Frederick Lewis Allen, in his discussion of Pierpont Morgan, reflected this view when he wrote: [12]

> . . . he was constantly intervening in business to reform and strengthen [it] in his own way. . . . In a real sense it was he and the other fabricators of giant industries, and the lawyers and legislative draftsmen [*sic!*] inventing new corporate devices, who were the radicals of the day, changing the face of America; it was those objected to the results who were conservatives seeking to preserve the individual opportunities and the folkways of an earlier time.

* * *

Marxism does not suffer from ambivalence as to the problem of justifying, in terms of humanist and liberal values, the role of capitalists as individuals and capitalism as a system. Although it is politically necessary to do so, orthodox Marxists in certain respects should have little to criticize in the over-all trends within capitalism. As for the individual entrepreneur, "My stand-point, from which the evolution of the economic formation of society is viewed as a process of natural history, can less than any other make the individual responsible for relations whose creature he socially remains, however much he may subjectively raise himself above them." [13] And with the larger historical developments being part of a necessary and progressive process which society ". . . can neither clear by bold leaps, nor remove by legal enactments . . . ," condemnation is pointless.[14] Indeed, as I will indicate later, the implications of this necessitarianism virtually destroys the need and efficacy of individual and group social action, save under very limited conditions.

Although done very unsystematically, the Business Revisionists manage to achieve the same moral absolution for the business leaders as do the Marxists. The first aspect of this line of thought is to assert the historical relativity of business ethics in each epoch, and our consequent inability to project our own values in judging past events. It has been further stimulated by the application of structural-functionalist theory to historical inquiry under the guidance of interdisciplinary "entrepreneurial historians." On the assumption of structural-functionalism that society is fairly stable,

[12] Frederick Lewis Allen, *The Great Pierpont Morgan* (New York, 1949), p. 77. See Nevins, *Study in Power*, Vol. II, pp. 36, 436, and Edward C. Kirkland, *Dream and Thought in the Business Community, 1860–1900* (Ithaca, N.Y., 1956), p. 167, for the same theme.

[13] Karl Marx, *Capital* (Chicago, 1906), Vol. I, p. 15.

[14] *Ibid.*, p. 14. This historicism is not restricted to Marxists or Business Revisionists, but has also been explicitly formulated both by conservative Social Darwinians and the dominant "Wisconsin school" of labor theorists under John R. Commons and Selig Perlman, the latter as an alleged alternative to Marxism. For a detailed analysis, see Gabriel Kolko, "Unionism Reconsidered: A Critical Appraisal of Its Philosophy," *Institute of Social Studies Bulletin*, Vol. II (Winter, 1954), Vol. III (Spring, 1955).

equipped with behavioral norms which exert effective social control and place limitations on accepted individual behavior, the entrepreneurial historians assume "The individual entrepreneur, like all other social actors, is oriented to this total social situation. The range of decisions he normally considers, and his evaluation of the alternatives thus defined are functions of it."[15] The businessman, in short, merely reflects the values of his age.

To condemn the businessman, therefore, is to demand unreasonable, nonconformist behavior on his part. "The interest in discussing them [robber barons]," writes Thomas Cochran, "is to illustrate business malpractices, and presumably to convey moralistic warnings against such activities, rather than to understand the business process in society."[16] In this context, to explain, if indeed that is what is done, is to justify. For the universally accepted social norms dictate business behavior under all circumstances, and structural-functionalists tend to deny the existence of alternate norms or inherent conflicts or opposition within a social structure which might radically change the character of that structure's basic institutions or social sanctions; ". . . those who denied the value of these major themes, seem during these years to have been a relatively small, or at least uninfluential, portion of the population."[17] With

[15] John E. Sawyer, "The Entrepreneur and the Social Order," in *Men in Business*, William Miller, ed. (Cambridge, Mass., 1952), p. 9. This is a systematic statement of the formal assumptions of the entrepreneurial historians. See Wayne Hield, "The Study of Change in Social Science," *The British Journal of Sociology* (March, 1954). Hield's criticism of structural-functionalism as being concerned with presumably static social structures, and being essentially conservative in its beliefs in doctrinal and institutional continuity, is just as true of the entrepreneurial historians as Talcott Parsons. Robert Merton, in his discussion of deviance in "Social Structure and Anomie," *Social Theory and Social Structure* (Glencoe, Ill., 1949), attempts to introduce a concept of dynamics and change into functionalism, and elsewhere he asserts that the theory is neither conservative or radical, but a neutral technique. He admits, however, that most advocates of structural-functionalism (in Merton's term, "Functional analysis") have been interested in stability and are, implicitly, conservative.

[16] Thomas C. Cochran, "The Legend of the Robber Barons," *Explorations in Entrepreneurial History* (May, 1949), p. 2.

[17] *Ibid*. Ironically, Cochran's own historical studies are the best refutation of entrepreneurial, and his own, theory. The assumption that social and business norms of behavior are not specifically class phenomena, and have wider acceptance throughout the social structure, is effectively refuted by Cochran: "In examining the prescribing group for our nineteenth-century railroad executives we found it composed of other top officers plus the members of the board of directors. And among the latter the opinions of the general entrepreneurs with wealth and power were the most important in defining the executive role. . . . And among these men [operating managers] themselves the opinions of their fellows, their daily acquaintances of Wall and State Streets, counted for more than those of anyone else." *Railroad Leaders, 1845–1890* (Cambridge, Mass., 1953), pp. 13–14. ". . . those who denied the value of these major themes . . ." may have been "uninfluential," but this was undoubtedly due to the fact, as Cochran so ably shows (pp. 185–189, 193–197), the railroads purchased editors and maintained "lobbies" whenever public opposition to their goals warranted it. As for the purported unity and implicitly classless social sanctions upon which business action is rationalized: "By 1870, as many writers have shown, the public was becoming highly critical of railroad management. The long depression of the seventies heightened this feeling. . . . While the hostility to railroads waned somewhat in the prosperity of the eighties, it remained a force to be reckoned with by managers in every section. Added to the popular distrust of railroad entrepreneurs was a suspicion of corporations in general and monopolistic corporations in particular." *Ibid.*, p. 184.

Max Weber, who was one with Marx in viewing the rationalization of the industrial and business structure as inevitable, the entrepreneurial historians see an inexorable process in which actions directed toward business consolidation appear to be normal. Further influenced by George Herbert Mead and recent studies of role determination of individual behavior, they tend to take the businessman's statements and conceptions of his "self" and social role as the reflection of socially accepted norms. Disparities between beliefs and actions, and the consequent disturbing implications for a static concept of the social structure, are minimized. The businessman's analysis of himself, in a sort of historical opinion poll which disregards the truth or falsity of such self-analysis in relation to an independent historical study, is taken as the basis of evaluation of his actual social role.[18]

The less methodologically inclined historians advance a concept of "realistic morality" which declares that to succeed a businessman must do so on terms of the prevailing economic ethos, ethos he cannot personally assume responsibility for. ". . . in sometimes employing ruthless methods," writes Nevins, "they to a great extent acted according to the economic ethics of the time; if they had not used these weapons, still more ruthless men would have used them against the Standard organizers." [19] And, finally, the very concept of the validity, progressiveness, and inevitability of the process of capital accumulation mentioned earlier, and which relates the values of the Business Revisionist viewpoint to Marxism, is utilized to neutralize all attacks on the capitalist system itself. Skeptics and critics must not fail, says Edward Saveth, ". . . to recognize that abuses in business practices were byproducts of the tremendous efforts of men who, with limited capital in a relatively poor and vast country, performed miracles of material accomplishment. . . ." [20]

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The ideological analysis of knowledge is an aspect of intellectual craftsmanship peculiar to the twentieth century.[21] Although Marx-

[18] Cochran's *Railroad Leaders* is one form of this. Kirkland's *Dream and Thought*, p. viii ff. displays the same tendency. The most systematic discussion of the idea can be found in Leland Jenks, "Role Structure of Entrepreneurial Personality," Harvard University Research Center in Entrepreneurial History, *Change and the Entrepreneur: Postulates and Patterns in Entrepreneurial History* (Cambridge, 1949).

For an analysis of related problems in Weber, see Gabriel Kolko, "A Critique of Max Weber's Philosophy of History," *Ethics*, Vol. LXX. In a forthcoming study on "American Business and Germany, 1930–1941," I shall detail the disparity between business statements and behavior in a specific instance, and its relevance to the validity of entrepreneurial theory.

[19] Nevins, *Rockefeller*, Vol. I, pp. 266–267. Also see *Ibid.*, Vol. II, p. 710.

[20] Edward Saveth, "What Historians Teach About Business," *Fortune* (April, 1952), p. 165.

[21] In this sense, "ideology" is equivalent to Karl Mannheim's "sociology of knowledge"

ists often discussed ideas, especially in aesthetics, as reflections of class needs or dilemmas, or as having some ominous ulterior political purpose, it was not until the impact of Beard's economic interpretations of the Constitution and Jeffersonian democracy that the technique was systematically discussed and comprehended as a distinct intellectual tool among American historians. The pointing out of economic and political interest as the basis of actions and ideas was, as Beard suggested, at least as old as Harrington and Madison, but not until the twentieth century was its use formalized among historians. The impact of Freudianism on intellectuals only strengthened the interest in the ulterior in historical analysis, and broadened its dimensions to include psychological as well as class needs as causes of historically significant actions.

The ideological analysis, needless to say, does not and should not obviate the need to examine events and especially ideas beyond their relational context in the hope of discovering the validity of their claims and significance, irrespective of their class or psychological function. The theory of relativity, for example, cannot be explained away, or proved, by a class or psychoanalytical study of Einstein. But in practice the ideological analysis has been utilized both as a tool of understanding and, at the best, criticism from the vantage of the critic's value preferences. One has only to recall the furious attacks in the form of class analyses by Marx, who has done as much as anyone to formulate the technique, on Bakunin and Lasalle to understand the dual possibilities of this potentially useful tool. In more recent times, Karl Mannheim's *Ideology and Utopia*, which is not only a discussion of the sociology of knowledge but a critique of conservatism and liberalism, has shown the confusion of those interested in promoting the use of a value-free ideological analysis. And, unfortunately, all too often the assertion of an ulterior, albeit unconscious, function of an idea or action tends to raise conspiratorial and sinister associations in the minds of many.

In America the ideological analysis of historical writing has in recent years been utilized by the school of historians under consid-

—". . . the question when and where social structures come to express themselves in the structure of assertions, and in what sense the former concretely determine the latter." *Ideology and Utopia* (London, 1936), p. 239. In addition to "social structures," I think it correct to add "political parties, status and economic interest groups." "Ideological analysis" is to be understood as the evaluation of the function ideas play in expressing the needs, sentiments, or aspirations of these groups. Calculations as to the invidious role of ideas consciously manipulated may also come under this heading, although Mannheim declared his sociology was little concerned with criticizing this thought "on the level of the assertions themselves." "Ideology" is sometimes used as an equivalent for "ideas" without regard to their function, and sometimes freely used in both senses by the same person. See, for example, Adolf Grunbaum, "Science and Ideology," *The Scientific Monthly* (July, 1954).

eration. Unfortunately, the fact this technique is being used, and the role of their values, is little recognized by its adherents. As a result, few of the advantageous possibilities of an ideological analysis are exploited. In consequence of this fact, it is the negative aspect of the tradition which emerges, and far more heat than light is generated.

The task of reinterpreting the nature of American business history and capital accumulation has included not merely the work of writing history anew, or reinterpreting it, but a criticism of those historians who have been most active in shaping the critical view of America's industrialization and the role of business leadership in it. Allan Nevins has expressed perhaps the mildest judgment on the topic when he wrote: "To assail Rockefeller was to some extent a mere habit in which millions unthinkingly joined. In part it rose from a justifiable antagonism to monopoly and Standard's methods. But in part the ceaseless hue and cry was deliberately maintained by journalists who had learned that it boosted circulation and politicians who knew there were votes in it." [22] Louis Hacker, in discussing the "Anticapitalist Bias of American Historians," has presented an even stronger ideological analysis when he writes of Charles Beard, the *bete noir* of the Business Revisionists: "Beard, in effect, took over the agrarian prejudices of his own Indiana boyhood to the capitalist processes . . . . No effort is made to analyze or comprehend the contributions of capitalism to America's extraordinary growth." [23] In the case of historians who were friendly or even neutral in their writings in Populism, we have ". . . an anticapitalist bias not for economic reasons but for political and moral ones." [24]

The most systematic exploitation of the ideological analysis has been made by Edward N. Saveth, who has explained the reasons for the anticapitalist bias of historians from Parkman on. His analysis is an economic interpretation and ideological attack as rigid as any used by a Marxist.[25]

> As long ago as the first quarter of the nineteenth century, historians were finding business and businessmen rather distasteful. At that time the commercial and agrarian basis of New England's economy was beginning to shift to a dominant manufacturing pattern. Eventually the industrialists were to get the upper hand, economically and socially. Unfortunately for

[22] Nevins, *Rockefeller*, Vol. II, p. 515.
[23] L. M. Hacker in *Capitalism and the Historians*, F. A. Hayek, ed. (Chicago, 1954), pp. 80–81.
[24] *Ibid.*, p. 89.
[25] See the remarkably similar discussion of the same group of historians in Herbert Aptheker, *Laureates of Imperialism* (New York, 1954), pp. 16–17; Saveth, *Fortune*, p. 118.

their reputations, however, it was the descendants of the merchant princes they displaced in power who took to writing history. Francis Parkman, William Hickling Prescott, and John Lothrop Motley were all born in Massachusetts, around the beginning of the nineteenth century, and were descendant of families whose wealth derived from trade.

Stating that the public image of the businessman was created by the Muckrakers, an assertion whose validity it is not in place to consider here, Saveth deems it relevant to the validity of their history to explore the motives of the Muckrakers and their publishers. Thus McClure encouraged sensationalism because he profited from it. "Thomas Lawson, author of *Frenzied Finance* . . . was a publicity-mad millionaire who, at the same time, turned against the system that had enriched him. . . . Ida Tarbell's father had been an independent oilman who had come out second best after a tussle with Standard." [26] The total impression given is that the persons allegedly most responsible for the critical portrayal of capitalism were primarily opportunists, sour apples or, what is worse, occasionally fellow-travelers.

The revisionist trend in American business history is not an isolated phenomenon, and can best be understood as a part of a change in the intellectual scene over the past several decades. In sociology, for example, many of the most influential writers now tell us the United States is a classless and very prosperous society existing within a socially responsible big business economy. The writings of A. A. Berle, John K. Galbraith, and David Lilienthal have accepted the large corporation as an integral part of the American scene, which it most certainly is, and asserted its alleged virtues. The trend in all of the social sciences has been towards a narrowing focus, a specialized microcosmic view of problems, and this in turn has restricted the possibility of theory and generalization which might criticize accepted institutions and beliefs. One must remember that it is only in the past decade and a half that the large corporation has received any significant acceptance in the academy, and this is especially true of historians who, whether conservative or liberal, generally had been critical of the manners or the function of big business in a democracy.

In part the sympathy for the large corporation is a result of a growing conviction among historians, and social scientists in general, that despite the problem of democratic control and the danger of economic concentration which was central in the minds of Populists and Progressives, the advantages of massive productive power

[26] *Ibid.*, p. 119.

in an age of totalitarianism, war, and hunger make the seemingly efficient large-scale economic unit take on virtues never fully appreciated in the past. The Business Revisionist school is not the product of consciously conservative historians, although in the hands of Saveth and Hacker it has become a branch of the amorphous New Conservatism as well, but often the response of liberals to some of these larger problems. But I do think that a hesitant judgment which started out as an either-or choice between lesser evils has, in a good number of instances, turned into a militant assertion of positive good.

Ultimately, I believe, the major impetus behind the reconsideration of the nature of American business and the role of the businessman is the belief on the part of many, especially the liberal historians, that the status quo achieved those economic and social goals which they once thought might be better reached by more radical means. A decade of seeming prosperity has resulted in a social order which, it is widely believed, eliminated poverty and serious economic instability and created a society in which abundance has replaced scarcity and insecurity. The productive machine which achieved this end was a positive good and a means of progress. Frederick Lewis Allen's *The Big Change* (1952) is nothing short of a eulogy of this entire phenomenon. As Allan Nevins put it in discussing Ford, ". . . they had done more than all other manufacturers combined to make the automobile a democratic possession; they had been the first to bring mass production, the reshaper of modern life, to birth. . . ." [27] To Edward Saveth, it appeared that, ". . . the national resources of a great land were harnessed; consumers' goods were turned out in variety, quantity, and at a low price; real wages increased. . . ." [28] Capitalism, wrote Louis Hacker, is ". . . a system and a set of attitudes which have made possible material progress and the alleviation of human suffering." [29]

These are, however, assertions of the alleged success of the present economy, and they can be proved or disproved only in economic

[27] Allan Nevins, *Ford: The Times, the Man, the Company* (New York, 1954), p. 587.
[28] Saveth, *Fortune*, p. 165.
[29] Hacker, *Capitalism and the Historians*, p. 75. Also see Kirkland, *Dream and Thought*, p. 167 and Thomas C. Cochran, *The American Business System: A Historical Perspective, 1900–1950* (Cambridge, Mass., 1957), pp. 110, 156–157, 186–187. "In a number of ways the problem of business consolidation now presents itself, even to liberals and reformers, in different forms from those in which it appeared to the men of the Progressive generation. . . . Product competition has in some respects replaced the old price competition. The great distributive agencies, themselves giant concerns, have given consumers some protection from the exactions of monopoly. Big business has shown itself to be what the Progressives of the Brandeis School resolutely denied it would be – technologically more progressive than the smaller units it has replaced. The political power of capital has been more satisfactorily matched by an enormous growth in labor organization." Richard Hofstadter, *The Age of Reform* (New York, 1955), pp. 252–253.

terms. They do not, I believe, justify a qualitative reinterpretation of essentially the same storehouse of historical facts only remotely related to judgments on the distributive or productive efficiency of the present American economy. Similarly, I do not believe that the assertions on the recent economic situation have any relevance to the nature and relationship of the occurrences of the 1870's. At least they should not. Nor is the application of sociological analyses which are fairly consistently conservative in their results either a relevant reinterpretation of our existing store of information or an especially valid basis for approaching new information.

• • •

One of the dilemmas which some Marxists realized was inherent in Historical Materialism, its certitude and absolute predictability, was its anesthetizing consequences to individual and social action. Both Marx and Martov, as I suggested earlier, minimized the efficacy of premature human intervention in the social structure. The result was a sort of absolution of injustice and cruelty, at least insofar as the mechanics of Dialectics were concerned. As Bertrand Russell has correctly pointed out: "He might have said that he did not advocate Socialism, but only prophesied it. . . . He undoubtedly believed every dialectical movement to be, in some impersonal sense, a progress, and he certainly held that Socialism, once established, would minister to human happiness more than either feudalism or capitalism have done. These . . . beliefs remained largely in the background so far as his writings are concerned." [30]

The average Marxist has not been attracted or repelled by these academic conflicts, since of all the political liabilities of socialism, doctrinal inconsistencies have perhaps been the least important. Not until 1898 did George Plekhanov, a Russian orthodox Marxist, attempt to prove that the ". . . materialist conception of the human will is quite compatible with the most vigorous practical activity." [31] In an important tract which, save for Dialectics replacing God, in form and substance imitated Jonathan Edwards' attack on the Arminian heresy 150 years earlier, Plekhanov asserted that,[32]

> . . . in my mind, necessity becomes identified with freedom and freedom with necessity; and then, I am unfree only in the sense that I cannot disturb this identity between freedom and necessity. I cannot oppose one to the

[30] Bertrand Russell, *History of Western Philosophy* (London, 1946), p. 816.
[31] George Plekhanov, *The Role of the Individual in History* (New York, 1940), p. 11.
[32] *Ibid.*, p. 16. Plekhanov was familiar with the debate on free will in Christian theology. Plekhanov, obviously, wanted to have his cake (of freedom to inspire political action and condemn the capitalist) and eat it too (by being certain of the outcome of "history").

other, I cannot feel the restraint of necessity. But such a lack of freedom is at the same time its fullest manifestation.

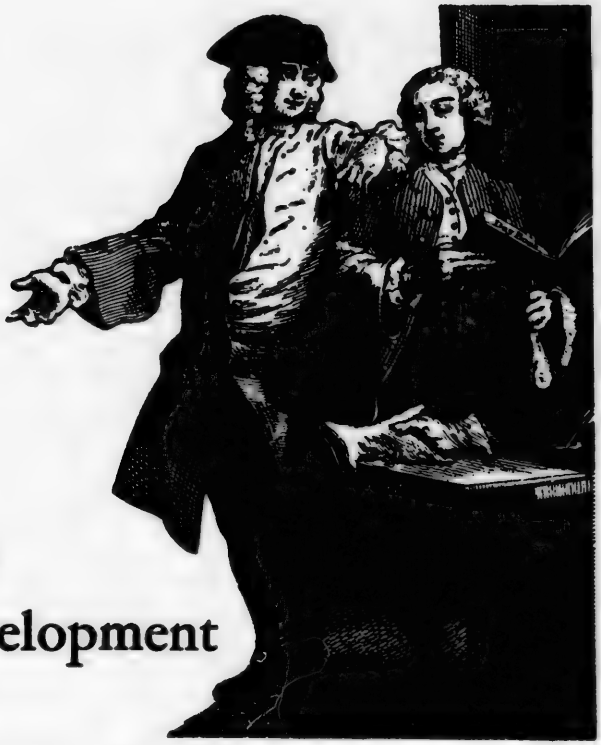
Thus Plekhanov seemingly saved Marxism from one of its inherent political liabilities without appearing, at least in his own mind, excessively monolithic about it. In a brillant application of Hegel's unity of opposites man was declared to be free, but not free, at the same time.

Although it would be absurd to expect to find a parallel discussion of free will in any of the writings of the Business Revisionists, I do believe strong similarities in procedure and logic appear even here. For despite the political necessity to condemn the capitalist in moral terms, without the capitalist the Marxist would not have Marxism. Regardless of the knowledge of the direction of societal development purported to be known by Historical Materialists, each historic and economic period has its own function to play in the total complex, and each period has its own economic morality involved in fulfilling that function. Without having similar cosmic predictions as to the fate of our economy, the concept of "realistic morality," which is simply a variant of the same cultural relativism of Marxism, is utilized by the Business Revisionists to rationalize the status quo.

But the real question here is: Was there, so to speak, an "economic free will" which might have allowed American industrial development to take a different course had its leaders so desired? Or was the economic development necessitated by inflexible laws and conditions which determined the actions of men, rather than vise versa? If the answer is negative, then we face the classic dilemma involving moral judgment which Jonathan Edwards and all those denying the existence of freedom faced two centuries ago. If there is no freedom of action, then criticism or moral condemnation is irrelevant, for the institution or person condemned is not responsible for the consequences of their acts. The response of the Marxists is clear. And as I have attempted to show in my discussion of the Business Revisionists' belief in the inevitability of abuse in capital accumulation, in its ultimately progressive function, and in "realistic morality" or structural-functionalism, the Business Revisionists would agree with them. Indeed, given the economic hedonism which is the basic psychological determinant of individual behavior in classical, Keynesian, and Marxian economic theory, the agreement on this question as well should not surprise one.

If there was no "economic free will," the present economy, with all its concomitants, was at worst inevitable, at best desirable and

inevitable. In Marxism this inevitability is a part of the Dialectic, and grudgingly good insofar as it heralds even better things in the Future. In Business Revisionism the status quo is asserted as a positive good, and insofar as there is a Revisionist dialectic or concept of economic evolution, our present society is about as close to economic utopia as reasonable men can hope to come. The basis of their assertion is not founded on any philosophical exegesis such as the Marxist might perform, but on a causal explanation and value bias which offers moral absolution on the assumption we know too much to condemn. But whether the Business Revisionists realize it or not, their viewpoint has both method and formal preconceptions in many respects similar to Marxism in form and consequence.



The Development of Personnel Management In The United States

Personnel management as we know it today grew out of welfare work, on the one hand, and Scientific Management on the other. It came to embrace added functions and concepts, the most important of which was that idealism and realism were compatible in dealing efficiently with human beings.

by Henry Eilbirt

ASSISTANT PROFESSOR OF MANAGEMENT
AT THE CITY COLLEGE OF NEW YORK

Background and Antecedents

It is well known that noticeable growth in the size of American business units occurred between the Civil War and 1900. Correspondingly, specialization emerged within the American corporation. Cochran has noted

that expansion had gradually impelled many large companies to departmentalize their staffs between 1790 and 1860.[1] References to clerical staffs will be found as early evidence of the division of labor.[2] Sales departments emerged after the Civil War.

Describing the National Cash Register Company organization, Meakin noted (in 1905) that top management (Patterson brothers) had set up an operating organization consisting of a general manager and three ". . . sub-managers, one at the head of each of the *three main divisions* of the company: the factory, selling and the general office forces."[3] [Italics: H. Eilbirt.] That this must have been quite common can be surmised from the following statement in an early manual for personnel administrators:[4] "Exclusive of executive control, the original industrial corporations contained three major sub-divisions of management: (1) production, (2) financing and accounting, (3) marketing."

There is, however, no such evidence of early application of the principle of specialization to labor administration. Before 1900, the day-to-day relations with labor were in the hands of the employer himself, or perhaps even more commonly, in the hands of foremen. Almost all phases of the employment situation – selection, training, rate-setting, supervision, discipline, grievance-handling – ordinarily were handled by line management. The one possible exception to this was the clerical aspect – the keeping of records of the time worked and pay earned. For such duties, a timekeeper or factory clerk might be employed in some of the larger establishments. Occasionally such a clerk might also be assigned "employment" functions. Somewhere around the turn of the century the terms "employment agent" or "employment clerk" came into use, here and there, "to designate the person to whose lot fell the daily task of selecting the help needed. . . . Almost invariably . . . the major portion of [this man's] time was devoted to some other work and more often than not he was . . . timekeeper or factory clerk as well."[5] Although a few hiring "offices" probably could be found in 1900, it is doubtful that any personnel or industrial relations *department* existed at the end of the century.

[1] Thomas C. Cochran, "Business Organization and the Development of an Industrial Discipline," in Harold F. Williamson (ed.), *The Growth of the American Economy* (New York, 1944), p. 310.

[2] Cochran refers to "large office staffs" needed by businesses after 1850. See Cochran's "Business Organization" in *Growth of the American Economy*.

[3] Budgett Meakin, *Model Factories and Villages* (London, 1905), p. 332.

[4] F. C. Henderschott and F. A. Weakly, *The Employment Department and Employee Relations* (Chicago: LaSalle Extension University, 1918), p. 2.

[5] J. M. Eaton and George A. Shirk, *Ten Studies in Employment Management* (Detroit: Central Association of Industrial Executives, 1921), p. 1. Diemer, in an early text on

The student of American industrial history finds that two converging strands in American economic life provide the sources of modern personnel management. One is the movement which has been designated as "welfare work." The other is Scientific Management.

The "Efficiency Movement" and Personnel Administration

By the end of the nineteenth century there had appeared some students of business who argued that "management" was a subject which demanded close study. Such study could reveal certain superior methods to those in general use. The firms which adopted these methods would be more efficient and more profitable than those which did not.

The pennant of "efficiency" was raised by the engineers in industry.[6] Their initial concern may have been with material, structure, machine and process. But they could not ultimately avoid the conclusion that the human factor represented a significant source of waste. Measured by a disposition and training which seek to maximize output against input, the waste was disturbing.[7]

All this is symbolized, for the period around the beginning of the twentieth century, by the most famous of the engineers. Frederick W. Taylor made notable contributions in the process of cutting metal, in the use of tool steels and in the use of industrial belting, all technological aspects of mechanical engineering. Yet he remains best known for his "discovery" that the methods of work of labor and the methods of management could and should be improved, that is, for Scientific Management.

The essential premise here was that waste represented a cost. What was new was the emphasis on hidden waste, not simply explicit, out-of-pocket expenses. These costs were the result of the use of an inferior method of management when a better one could be instituted. A contemporary economist expressed the idea that "costs

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management, refers to a specialized department for "hiring, wages and efficiency records." See Hugo Diemer, *Factory Organization and Administration* (New York, 1910), p. 242.

[6] F. W. Taylor's biographer, Copley, quotes him as to the recency of the use of engineers. Taylor is said to have been able to "remember distinctly the time when an educated scientific engineer was looked upon with profound suspicion" by industrialists. See Frank B. Copley's *Frederick W. Taylor* (New York, 1923), p. 100. In Jones' view, a "new spirit" was visible in America, after 1900, attributed in part to the movement of engineers into executive positions. These new men applied their systematic training, objectivity and scientific knowledge to industry. See Edward D. Jones, *The Administration of Industrial Enterprise* (New York, 1925), p. 6.

[7] Taylor and others were bothered a good deal by employee "soldiering." See Copley's *Frederick W. Taylor*, Chap. I, especially p. 49f., and Horace B. Drury's address to the Congress of Human Engineering reported in the *Bulletin* of the Taylor Society, Vol. 2 (Nov., 1916), p. 2.

due to labor inefficiency are not so quickly seen as are the other costs."[8] An early writer on management argued that "the short-sighted employer of the past" . . . could always see the *cost* . . . — what he failed to see was the net results."[9]

It is noteworthy that Taylor (and his disciples) concluded that workers needed to be won over and led by management, needed careful instruction, assistance and cooperation from management, needed incentives to maintain productivity, and needed proper and standardized apparatus and conditions to perform satisfactorily. Conscious of the sizable differences among laborers, the Scientific Management engineers favored careful selection, primarily for weeding out all but the first-class operators.[10]

In Taylor's scheme for reorganizing structure, there is no specific personnel department. However, he tells us that a rate-fixing department existed at Midvale.[11] He suggests here also that an Employment Bureau ought to be one of the units in the Planning Department, both for actual selection and for record keeping. And one of his specialized foremen detailed in this description as desirable is a "shop-disciplinarian."

By this route, Scientific Management arrived at the borders of personnel administration. At least a few of the labor, or employment, departments described below were founded by the followers of this line of thought.[12]

Industrial Welfare Work

Meanwhile from the direction of religion and philanthropy, a separate line of development contributed to the development of modern personnel administration.

Welfare work, as this was commonly called, was a movement aimed at improving the general tenor of American living and the standards of the poor and the unfortunate. The advocates and practitioners of *industrial* welfare work sought to achieve improvements

[8] Paul H. Douglas, "Plant Administration of Labor," *Journal of Political Economy*, Vol. 27 (July, 1919), p. 544.

[9] A. Hamilton Church, *The Science and Practice of Management* (New York: The Engineering Magazine, 1914), p. 211.

[10] See Taylor's description of the work at a ball-bearing factory, carried on by disciples Thompson and Gantt, where some of the employed girls whose reaction time was slow "unfortunately" had to be dismissed. Frederick W. Taylor, *The Principles of Scientific Management* (New York, 1911), pp. 89–90.

[11] F. W. Taylor, "Shop Management," *Transactions*, American Society of Mechanical Engineers, Vol. 24 (June, 1903), pp. 1,399, 1,404.

[12] Kendall at the Plimpton Press and Feiss at Clothcraft were notable examples. See the *Bulletin* of the Taylor Society for 1915 and 1916. R. F. Hoxie has noted, however, in his study for the Industrial Relations Commission, that this was only occasional. See his *Scientific Management and Labor* (New York, 1915), p. 32.

in the home and working life of American working people. In essence, welfare work sought to ameliorate the hard working life of the day and to "elevate" the employees of business. Towards this end, management made available various facilities such as libraries and other recreational premises, offered financial assistance for education, home purchase and improvement, provided medical care and instituted hygienic measures.

A form of personnel work thus appeared which concerned itself with this provision of cultural, educational, or recreational facilities and with financial, medical, housing, and other assistance and encouragement. And more important for this discussion, a sort of specialization made its appearance.

The "Secretaries"

Beginning with 1900, industry employed certain staff members called social or welfare secretaries. In general, the job of these people was "to be the point of contact between the firm and its employees." [13] This contemporary reference indicates further that "the main duty is to study the welfare of the employees in every way, to suggest improvements in their conditions, and to organize them [in] . . . various forms of improvement."

That it was no longer possible for management to have personal contact with the great bulk of the employees was becoming increasingly evident. To those management members or officers who were concerned about the matter, the social secretary offered a way out. Here was a staff person who could serve as a middleman, specializing in labor matters. Whatever "welfare" provisions were being made by the firm for its employees were generally the concern of such a secretary, although it should be noted that there were probably many firms which made some welfare arrangement without using secretaries.[14]

No well-defined qualifications for those wishing to enter the field existed. It is not possible to say what training and qualifications the secretaries possessed. The few descriptions or histories that are available show no consistent pattern.[15]

Henderson explained that: [16]

[13] *New Encyclopedia of Social Reform* (New York, 1908), p. 1,128.

[14] A study carried out by the United States Bureau of Labor Statistics showed that only 141 of the 431 firms surveyed, all of whom showed some welfare work, had the work administered by a "welfare secretary." See "Welfare Work for Employees in Industrial Establishments in the United States," *Bulletin #250* (1919), p. 119.

[15] Seven brief personal histories will be found in Charles R. Henderson's *Citizens in Industry* (New York, 1915), pp. 273–276.

[16] *Ibid.*, pp. 279–280.

It is evident that there can be no such profession as that of a "social engineer" or "welfare secretary," in any general sense. The employers must determine for themselves . . . what they wish to do, and then . . . they must employ some . . . qualified person. . . . There is no one "science" or "art" which can be mastered in preparation for all kinds of welfare work.

In specifying what a welfare officer *needed*, Beeks, who headed the National Civic Federation's welfare secretary consultation service, referred to both the personal qualities – tact, common sense and the like – and to information about labor and industry.[17] She suggested that this could be acquired by reading and by conferences with experienced welfare workers. Equally interesting is her idea that a "specialty, such as medicine, engineering, architecture, domestic science, or trained nursing" would be highly desirable. Clearly, many different backgrounds might serve to produce a competent secretary.

The general nature of the work suggests that many of the secretaries probably had backgrounds in philanthropic and social work. Isabel Nye noted this of her own experience.[18] For some time prior to the turn of the century, the Y.M.C.A. had operated in the industrial field, most notably in the railroads.[19] By 1904, that organization was actively training people for these jobs.[20]

The executive assistant, called a social or welfare secretary in 1900, was thus a rudimentary forerunner of the modern personnel administrator. During the two decades which followed, "secretaryship" was to disappear and personnel administration to emerge.

Personnel Administration and Welfare Work

In 1900, then, there existed as yet no comprehensive personnel department, as we know it today. A sprinkling of social or welfare secretaries concerned with the improvement phases of labor could be found. There was also a scattering of employment bureaus or agents concerned with selection of employees – and, perhaps, with some record keeping.

Tead has used the year 1912 as the approximate date of appear-

[17] Gertrude Beeks, "The New Profession," National Civic Federation *Review*, Vol. 1 (Feb. 1, 1905), p. 12.

[18] See National Civic Federation, *Conference on Welfare Work* (New York, 1904), p. 105. Note also that Pearl E. Wyche (Social Security, Proximity Manufacturing Co.) remarked that she had studied for jobs at the Institute of Social Service and at *settlement houses*. See "In a Southern Factory," *Social Service*, Vol. 9 (July, 1904), p. 6.

[19] See Henderson, *op. cit.*, pp. 297–298; National Civic Federation, *Conference*, *op. cit.*, pp. 48, 75ff.

[20] *Ibid.*, p. 82. See also U. S. Bureau of Labor Statistics *Bulletin #250*, pp. 122–123.

ance of modern style personnel departments.[21] Any earlier date seems highly improbable and it is likely that a census in 1912 would have revealed literally a handful of firms with departments which could be included. A contemporary manual reads: "Less than a dozen years since [date of publication – 1921] scarcely that number were so designated." [22]

During this period of approximately a decade and a half, welfare work and even the term became increasingly discredited. Lescohier has referred to its "besmirched connotation." [23] The contemporary labor consultant, Bloomfield, wrote: " 'Welfare' is the most unpopular word in the terminology of the factory worker." [24] Or from a management man: "We do not use the word 'Welfare'. This is a much abused term." [25] Brittin, herself a welfare worker, concluded her description of the work at the Joseph & Feiss Company by saying that the company sought to "eliminate absolutely all the hysterical elements and 'charity phases' so often found dominating welfare work." [26] And an industrial physician reported the term satirized as "hell-fare." [27]

But although the term "welfare" was vanishing, the problems of dealing with the workers remained. Consequently, management experimented with new organizational approaches to these problems. After 1900, "employment," or less often, "labor" departments began to appear in industry.

Despite the low esteem in which welfare was held, it clearly contained the beginning of personnel administration. The line from the social and welfare secretaries to the employment manager is a direct one. It is significant that the clothing manufacturing firm which included a welfare department in 1911 had "an employment and service department" in the account of 1917.[28] Yet the work described is similar. Person, a student of management, has noted that the

[21] Ordway Tead, "Personnel Administration," *Encyclopaedia of the Social Sciences*, Vol. 12 (New York, 1934), p. 88.

[22] Eaton and Shirk, *op. cit.*, p. 1.

[23] Don D. Lescohier, "Working Conditions," Vol. 3 of John R. Commons, *et al.*, *History of Labour in the United States, 1896–1932* (New York, 1935), p. 326.

[24] Daniel Bloomfield, *Labor Maintenance* (New York, 1920), p. 19.

[25] M. Harrison, "Health Service – Hammermill Paper Co.," *Modern Medicine*, Vol. 1 (June, 1919), p. 127.

[26] Emma S. Brittin, "Two Years of Successful Welfare Work in a Factory Employing One Thousand People," *Human Engineering*, Vol. 1 (April, 1911), p. 86.

[27] Otto P. Geier, "Human Relations Department from the Standpoint of the Industrial Physician," *Industrial Management*, Vol. 57 (June, 1919), p. 503.

[28] Cf. Brittin, *op. cit.*, with Mary B. Gilson, "Work of the Employment and Service Department of the Clothcraft Shops," U. S. Bureau of Labor Statistics *Bulletin* #227 (Oct., 1917), pp. 139–152.

"substantial content" of welfare work was carried into personnel administration.[29]

This fact was not lost on contemporary observers. A description of the work of an employment department by the Bureau of Labor Statistics occurs in a bulletin on welfare work.[30] A narration of the development of labor administration in a contemporary text begins with early welfare work.[31] And a statement by a noted industrial engineer familiar with industrial practice of this time sums up the ancestral relationship of welfare to employment management: [32]

> . . . there has come into prominence . . . a new profession in industry . . . employment management. It comprehends in its broadest interpretation [*sic*] the establishment of all policies and direction of all the functions having to do with personnel. It has taken over, expanded and developed the former work of hiring and discharging, has sought to reduce labor turnover and has fostered and directed those activities which are usually comprehended under the term welfare.

Thus the scope rather than the essence of the work was altered. The general concept of specialization in providing labor services and communication channels was retained, but the specialization was both broadened and sharpened and the attitude of management competence was elevated as the sentiment of philanthropy diminished.

The Early Period

The Beginnings of Personnel Administration

As noted, Tead has dated the establishment of a modern type personnel department at "about 1912." [33] Kelly,[34] Alford,[35] and Kennedy [36] agree in dating the oldest employment department – B. F. Goodrich Co. – at approximately 1900. Since, according to Kennedy, this appears to have been only a hiring bureau, the twelve-year discrepancy would seem largely to represent Tead's verdict that this was not a "modern" department.

As early as 1902, the National Cash Register Company was re-

[29] Harlow S. Person, "Welfare Work, Industrial," *Encyclopaedia of the Social Sciences*, Vol. 15, p. 395. Substantially the same point is made by Tead in Vol. 12, p. 88.

[30] U. S. Bureau of Labor Statistics *Bulletin #250*, p. 13.

[31] Lee K. Frankel and Alexander Fleisher, *The Human Factor in Industry* (New York 1920), p. 12.

[32] Leon P. Alford, "The Status of Industrial Relations," *Mechanical Engineering*, Vol. 41 (June, 1919), p. 515.

[33] *Encyclopaedia of the Social Sciences*, Vol. 12, p. 88.

[34] Roy W. Kelly, *Hiring the Worker* (New York: Engineering Magazine Co., 1918), p. 20.

[35] Alford, *Mechanical Engineering*, Vol. 41, p. 515.

[36] Dudley Kennedy, "Functions and Scope of the Employment Department," *Industrial Management*, Vol. 57 (June, 1919), p. 491. Kennedy had been employed by Goodrich.

ported as having a "labor department" to deal with workmen's grievances, and with labor practices "unjust to the firm." [37] According to this account, the unit also had jurisdiction over wage administration, sanitary and working conditions, employment, keeping of necessary records, discharge, education and improvement of worker and foreman.

According to Williams' account, the Plimpton Press established its Employment Department about 1910, primarily for hiring and record keeping. Gradually, this department ". . . enlarged its scope and in time became responsible for savings in the human cost of industry." [38]

The decade between 1910 and 1920 witnessed a burgeoning interest in personnel relations. In 1912, the first employment managers' association was formed in Boston.[39] As of 1916, at least seven such associations were in existence.[40] By 1917, there were ten, with nearly one thousand member concerns.[41]

In 1915, the Tuck School at Dartmouth College offered the first training program for employment managers.[42] During the First World War, the War Industries Board set up special procedures to stimulate the training of the employment managers needed at the time.[43] Douglas noted, by 1919, that more than a dozen colleges were housing such training programs.[44] By 1920, the term – personnel administration – had been accepted by some, at least, as the name for the whole range of activities dealing with the management of labor.[45]

[37] See address of Charles U. Carpenter (Labor Manager) to the National Civic Federation *Industrial Conference* (Dec., 1902), p. 42 ff. See also his "A Labor Department," National Civic Federation *Review*, Vol. 1 (Oct. 15, 1904), p. 10.

[38] Jane C. Williams, "The Reduction of Labor Turnover in the Plimpton Press," U.S. Bureau of Labor Statistics *Bulletin #227* (Oct., 1917), p. 82.

[39] Meyer Bloomfield, "The Aim and Work of the Employment Managers Associations," *Annals*, American Academy of Political and Social Science, Vol. 65 (May, 1916), p. 77.

[40] See comment by Bloomfield at Employment Managers' Association Conference, May 10, 1916, published in the U. S. Bureau of Labor Statistics *Bulletin #202* (1916), p. 7.

[41] Joseph H. Willits, "Development of Employment Managers' Associations," *Monthly Labor Review*, Vol. 5 (Sept., 1917), pp. 497–499. See also Daniel Bloomfield, *Problems in Personnel Management* (New York, 1923), pp. 10–11, and "Introduction" by Royal Meeker (Commissioner of Labor Statistics) in the U. S. Bureau of Labor Statistics *Bulletin #227*, pp. 5–6.

[42] See Harlow S. Person, "University Schools of Business and the Training of Employment Executives," U. S. Bureau of Labor Statistics *Bulletin #196* (May, 1916), p. 38; and Ernest F. Nichols, "The Employment Manager," *Annals*, American Academy of Political and Social Science, Vol. 65 (May, 1916), p. 7.

[43] Douglas, *Journal of Political Economy*, Vol. 27, pp. 548–549. Note also the comment in a three-page summary published by the Committee on Industrial Relations of the Chamber of Commerce of the United States, *Employment Managers, Training Under Government Auspices* (March 28, 1918), which announced the first course. "The course is given at the express request and under the supervision of the Industrial Service Sections," p. 1.

[44] Douglas, *Journal of Political Economy*, Vol. 27, p. 549.

[45] At least one textbook, that by Ordway Tead and Henry C. Metcalf, had appeared by that date, bearing the title *Personnel Administration* (New York, 1920). Three years earlier, an employment manager had observed that the employment department's function

Names and Tasks

The evolving function was known by a number of names. Lescohier has noted six commonly used terms.[46] However, the most generally used title for the new field between 1910 and 1920 was "employment management."[47] Typical comments generally include this term, for example:[48]

> You may ransack the literature of industrial management written ten years ago, and you will not find the phrase "employment management."

Or in the words of the Bureau of Labor Statistics:[49]

> . . . there is developing . . . a separate *employment department* [italics: H. Eilbirt] which makes a point of engaging and placing help with ceremony and politeness, which follows up the new employee, and avoids misfits by a system of tryouts in various departments, which has a ready ear for suggestions and grievances and which alone is empowered to discharge.

As we have seen, the core activity in employment management, the original point at which system came into play, concerned merely specialization in hiring and the keeping of necessary records. As time passed, the office, or bureau, or department tended to absorb duties and responsibilities. Whether employment management would get beyond the basic core in any firm, and the extent to which it would do so, were not predictable. ". . . employment management is liable to degenerate into merely a hiring and time keeping affair," wrote one unenthusiastic observer.[50] But in theory, in vision, and more or less occasionally in practice, such expansion did occur.

Correspondingly, the scope and functions of the employment departments were not uniform, variations in both detail and organization being possible. "No two companies have the same machinery," said a contemporary employment manager.[51] A study of 1922 cata-

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had got beyond the mere securing of help, and the title – "supervisor of personnel" – had come into "wide" use. N. S. Hubbell, "The Organization and Scope of the Employment Department," U. S. Bureau of Labor Statistics *Bulletin* #227 (Oct., 1917), p. 99.

[46] See Lescohier, "Working Conditions," *History of Labour in the U. S.*, Vol. 3, p. 326; also Bloomfield's Labor Maintenance, Chap. III, a brief for the use of the term "employee's service department" and Sumner H. Slichter, "The Management of Labor," *Journal of Political Economy*, Vol. 27 (Dec., 1919), p. 832.

[47] Significantly, this has remained the filing title used by the H. W. Wilson indexing services and by many libraries.

[48] Daniel Bloomfield (ed.), *Selected Articles on Employment Management* (New York: The H. W. Wilson Company, 1919), p. 1.

[49] U. S. Bureau of Labor Statistics *Bulletin* #250 (1919), p. 13. See also Frankel and Fleisher, *op. cit.*, pp. 24–27.

[50] Douglas, *Journal of Political Economy*, Vol. 27, p. 552.

[51] Robert C. Clothier, "Employment Department of the Curtis Publishing Company," U. S. Bureau of Labor Statistics *Bulletin* #202 (Sept., 1916), p. 60.

logued 20 duties of employment departments for 67 firms.[52] In frequency of occurrence, these varied from a maximum of 61 found performing the hiring functions against only 10 engaging in relations with labor organizations or 11 doing time and motion studies. The frequency found for other functions ranged between these two extremes.

Many viewed the "employment function" as extremely broad. The economist Slichter, for example, referred to a "labor administrator." [53] In his view, what was needed was an executive who would supervise employment, safety, plant medicine, welfare activities, training, foremen and gang bosses, as well as have authority to handle grievances and wage setting. So wide a range of assigned duties seems, however, to have been unusual in practice.[54] Less expansive and probably much more typical of actual business organization and practice are the descriptions by actual employment managers. Thus, Hubbell included, within the scope of this work, recruiting, selection, instruction, introduction and follow-up, record keeping and research in labor matters.[55] Clothier,[56] noting that the "employment department" was misnamed, told of a department consisting of four divisions: selection, instruction, welfare, and medical. These terms give a reasonable indication of the included activities. Still another example will be found in Henderschott and Weakly. Here are included discipline, "general supervision of employment conditions" and acting as "the *court of appeal* in all cases of complaint and dissatisfaction," in addition to the normal selection, training, promotion, transfer and discharge.[57]

It is evident that a core of universally found elements existed, including recruiting, selection, and record keeping. Some departments went beyond these to include training and orientation, discipline and grievance procedure, and research and welfare provision, in varying combinations.

[52] Robert F. Lovett (Bureau of Personnel Research, Carnegie Institute of Technology), "Present Tendencies in Personnel Practice," *Industrial Management*, Vol. 65 (June, 1923), p. 330.

[53] Slichter, *Journal of Political Economy*, Vol. 27, p. 819 ff.

[54] *Ibid.*, p. 832, note. "This type of labor administrator . . . differs radically from the heads of most existing labor departments." Douglas noted: ". . . many of the functions described in general works on employment management are a composite of the best methods used by a few progressive firms and are not in any way typical." Slichter, *Journal of Political Economy*, Vol. 27, p. 551. See also, Lovett, *Industrial Management*, Vol. 65, p. 330.

[55] U. S. Bureau of Labor Statistics *Bulletin #227* (Oct., 1917).

[56] R. C. Clothier, "The Function of the Employment Department," U. S. Bureau of Labor Statistics *Bulletin #196* (May, 1916), pp. 7-10.

[57] Henderschott and Weakly, *op. cit.*, p. 3. The business described here is not identified and one may be uncertain of its existence. Weakly was, however, the employment manager at Montgomery Ward.

The "Discovery" of Labor Turnover

At this point, a development in the field of labor research played an important part in advancing personnel administration. Soon after 1910, several investigators struck the business community with the force of a new idea – labor turnover.[58] The computations and discussions of Alexander, Fisher, and others revealed a hidden cost of considerable magnitude.

So important was this realization that, after 1915, there are hundreds of references to it. One can scarcely read any subsequent treatment having to do with labor, whether written by friend or critic, executive, physician, psychologist, psychiatrist or any academic student, which omits some mention of turnover as a universal evil to be avoided. In his talk of 1905, Vreeland showed appreciation of the foreman's role in causing discharge, but displayed no knowledge of the cost of turnover as an evil.[59] Less than a decade had passed before some were concluding that ". . . the high-water mark of incompetent management is frequent discharge. . . ."[60] Douglas' conclusion that ". . . until recently, the chief argument . . . for the creation of [employment] departments was the possibility of reducing the turnover of labor"[61] finds frequent echo.

Conclusion followed premise. If turnover was expensive, why not reduce it by improved placement or other good personnel practice? Employment management, properly done, gave such promise. "The effectiveness of the work of an employment department is usually judged by the extent to which it has succeeded in reducing the change of the personnel. . . ."[62] And "A fundamentally necessary way to overcome turnover is to place high-grade men in charge of employment."[63]

[58] Douglas has observed that German turnover study preceded that in the United States by a few years. See "Labor Turnover," *Encyclopaedia of the Social Sciences*, Vol. 8, p. 709. As early as 1909, John R. Commons had referred to the "labor mobility." See "Wage Earners of Pittsburgh," *Charities and the Commons*, Vol. 21 (March 6, 1909), p. 1,054. The earliest computational study of turnover is generally credited to Magnus W. Alexander (1913). See his "Hiring and Firing," *Annals*, American Academy of Political and Social Science, Vol. 65 (May, 1919), pp. 128-144. Others soon followed. See Boyd Fisher, "Methods of Reducing the Labor Turnover," *Annals*, pp. 144–154, which contains a brief review of the statistical studies to date. Sumner H. Slichter's comprehensive *The Turnover of Factory Labor* (New York, 1919) was more thorough.

[59] H. H. Vreeland, president of the New York City Railroad and a figure of some consequence in the Welfare Department of the National Civic Federation. See reported speech in National Civic Federation *Review*, Vol. 2 (May 15, 1905), p. 12. Vreeland did, however, point out the advantage of longer service employees in terms of the effectiveness of such a working force.

[60] John M. Dodge, "Living in Harmony with Your Workmen," *Industrial Engineering*, Vol. 14 (Jan., 1914), p. 8.

[61] Douglas, *Journal of Political Economy*, Vol. 27, p. 545.

[62] Philip J. Reilly, "The Work of the Employment Department of the Dennison Manufacturing Company," *Annals*, American Academy of Political and Social Science, Vol. 65 (May, 1916), p. 93.

[63] Magnus W. Alexander, "The Cost of Labor Turnover," U. S. Bureau of Labor Statis-

Vocational Guidance and Employment Management

During the same decade (1910–1920), another contemporary development reinforced industry interest in employment management. Aware of individual differences, the efficiency engineer favored the idea of correctly placing the worker in the job for which he was fitted. Taylor himself noted: "It would seem to be the duty of employers . . . to see that each workman is given as far as possible the highest class of work for which his brains and physique fit him." [64]

Adaptation of aptitude to employment was stressed, however, in a later development – *vocational guidance*. The progress of vocational guidance is linked with that of employment management.

Boston was the city where the first employment managers' association was formed. Boston was the city where the first vocational guidance bureau was established. The relationship was not accidental. The primary link can be found in the person of Meyer Bloomfield. Prior to his active interest in employment management, he had already become an important figure in the other field. He was, indeed, the successor to Frank Parsons (generally credited as the "father" of vocational guidance) as Director of Boston's Vocation Bureau. In 1912, Bloomfield, through the Vocation Bureau, sponsored a meeting of employment managers in the local area which resulted in the formation of the first employment managers association.[65]

It is noteworthy that Brewer, the earliest historian of the vocational guidance movement, should have included the institution of a course for employment managers in a chapter on the development of vocational guidance.[66] The awareness of a relationship is further demonstrated by Filene's statement to a conference of employment managers that the conference was "the logical result of the movement for vocational guidance which is doing so much for the unguided youth of our country and the conservation of industrial efficiency." [67]

Reinforcement of these potential reciprocals, guidance and selection, came from the fields which dealt with human behavior and

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tics *Bulletin #227*, p. 120; see also Clothier, U. S. Bureau of Labor Statistics *Bulletin #196*, p. 12; Lescohier, *History of Labour in the U. S.*, Vol. 3, p. 331.

[64] Taylor, "Shop Management," *Transactions*, Vol. 24, p. 1,347.

[65] See, for details, Meyer Bloomfield's *Youth, School and Vocation* (Boston, 1915), p. 48, or John M. Brewer's *The Vocational Guidance Movement* (New York, 1918), pp. 25–28.

[66] *Ibid.*, p. 46. In the *Encyclopaedia of the Social Sciences*, Brewer again noted the "close correlation between guidance and scientific management," Vol. 15, p. 278.

[67] Speech reported in U. S. Bureau of Labor Statistics *Bulletin #202* (Sept., 1916), pp. 11–12.

health. Early industrial psychologists, such as Walter D. Scott and Hugo Münsterberg, devoted much if not most of their attention to such problems.[68] At the first annual meeting of industrial physicians, one doctor referred to ". . . fitting [the workman] to work that he is physically and temperamentally capable of doing. . . ."[69] At the National Conference of Social Work in 1920, Jarrett described the work which she and psychiatrist Southard had begun in 1914 at the Psychopathic Hospital in Boston.[70] To some extent this work concerned itself with adapting people to jobs and explaining to employers the employability possibilities of some patients.

Thus, between 1910 and 1920, the placement theme – the right man for the right job – became familiar and popular.[71] The psychologist Link has described management interest:[72]

> A very common notion among industrial and employment managers is that all their problems will be solved when a scheme has been devised which will make it possible to select *the right man for the right place*. . . . The right man in the right place is a slogan to conjure with in commercial circles.

Note how clearly the significance of fitness is summed up and related to turnover by an employment manager.[73]

> The educational department should be able to tell you not alone that a man or woman in the auditing office is not good at figures but it should be of material help in saying for what the person is best fitted so as to avoid the losses which are bound to occur if a person is discharged . . . because of his inability to do one stated job.

The War Influence

No better catalyst than the First World War could have been suggested by the most enthusiastic partisan of employment management. Even before American entrance into the conflict, a serious

[68] Well over one third of Münsterberg's first volume (in English) was devoted to "The Best Possible Man" and this showed the largest number of actual experiments in industry. See Hugo Münsterberg, *Psychology and Industrial Efficiency* (Boston, 1913). Scott, a younger man, had begun perhaps as early as 1908 to work on the selection of salesmen. See Jacob Z. Jacobson, *Scott of Northwestern* (Chicago, 1951), p. 85, and Morris S. Viteles, *Industrial Psychology* (New York, 1934), p. 45.

[69] C. G. Farnum, "The Scope of Industrial Medicine and Surgery," *First Annual Meeting*, American Association of Industrial Physicians and Surgeons (June 12, 1916), p. 20. See also *Modern Medicine*, Vol. 1 (1919) for other instances.

[70] Reprinted in full as Mary Jarrett, "The Mental Hygiene of Industry," *Mental Hygiene*, Vol. 14 (Oct., 1920), p. 870.

[71] More accurately, there were two overlapping periods. Before the war, the importance of transfer and trying out men in different parts of the business was emphasized. The success of testing during the war tended to substitute an accent on predictable placement. But it is not possible to mark off any clear point where the latter period began and the first ended.

[72] Henry C. Link, *Employment Psychology* (New York, 1919), p. 293.

[73] T. K. Cory, "Selection and Development of Employees," U. S. Bureau of Labor Statistics *Bulletin* #202 (Sept., 1916), p. 43.

labor shortage had developed. Turnover, under such circumstances, was not merely a regrettable matter. It had the appearance of a national calamity. The typical results of such a period soon became evident – high wages, deference to labor,[74] and labor hoarding. Tardiness and especially absenteeism now became most serious.

Wrote Alford: [75]

> . . . The [employment management] movement did not gain headway until about 1916 when it was ready for the truly marvelous expansion that has taken place during . . . the war. . . . The impelling motive has not been entirely that of fostering good industrial relations. . . . The major reason in the minds of most industrial relations executives in establishing . . . departments has been to secure employees during the period of labor scarcity and to find out why men leave. Another impetus . . . came through the action of the . . . Government in insisting that such departments be installed in plants manufacturing munitions, war supplies and ships. . . .

One estimate indicated that 200 such departments were added during the war.[76] The stimulus provided by the government has already been noted.[77] Lovett reported that as many departments were established during 1919 and 1920 as had been established previously.[78] Indeed, a modern authority in the field of labor has noted that "for a while the personnel movement attained the unenviable status of an intellectual fad." [79]

Line Supervision and Employment Management

Beginning with Taylor,[80] some management thinking held that the foreman's job was simply too big for one man. It demanded too much and required subdivision. Typical of this view of the foreman is the following observation from an early text in industrial management: [81]

> He is expected to look after tools and machines, find materials and supplies for his men, instruct them in the manner of doing work, arrange tasks

[74] A journalist, for example, mirrored this in the following words: ". . . awakening self-consciousness of labor to its own power, dignity, indispensability, which came with the war. Labour was courted as never before." Ray Stannard Baker, *The New Industrial Unrest* (Garden City, 1920), p. 67. See also Slichter, *Journal of Political Economy*, Vol. 27, p. 814.

[75] Alford, *Mechanical Engineering*, Vol. 41, p. 515. See also Douglas, *Journal of Political Economy*, Vol. 27, p. 546; Kennedy, *Industrial Management*, Vol. 57, p. 68; and Jones, *op. cit.*, p. 7.

[76] Jones, quoted by Douglas, *Journal of Political Economy*, Vol. 27, p. 550.

[77] See above, p. 353.

[78] Lovett, *Industrial Management*, Vol. 65, p. 327.

[79] Carroll R. Daugherty, *Labor Problems in American Industry*, 5th ed. (Boston, 1941), p. 573.

[80] "Shop Management," *Transactions*, Vol. 24, p. 1,388 ff.

[81] Jones, *op. cit.*, p. 268.

so that every one is kept busy, enforce a proper pace, write up . . . records, preserve order, make reports as requested concerning . . . individual jobs, inspect work . . . lend a hand in repairs, suggest improvement in equipment, and give an opinion on which to base promotion and discharges.

In most cases, industrial managements did little or nothing about this. But those managements that were concerned could diminish and restrict the foreman's assignments and authority, for example, by utilizing an employment department.

The earliest area of such restriction probably dealt with employee selection. A vivid portrayal of the process of labor selection by foremen is given by an adherent of employment management: [82]

We heard one of our foremen interview an applicant one day when our need of men was urgent. . . . When the foreman appeared on the scene after the man had been waiting almost an hour, he approached him with a belligerent attitude, with —

"Do you want a job?"

The answer was "yes" and an inquiry as to the kind of work. This was answered in a monosyllable and then the applicant asked what the job paid.

With no attempt to explain . . . the applicant was informed that we started men in and they could make 15 cents an hour but would soon learn and get more. . . .

The applicant said, "I could not work for 15 cents an hour."

The foreman snarled, "Hell, you don't want work. . . ."

The transfer of responsibility for selection was a not unnatural outcome of the criticism of line supervision. There were businesses where the foreman found himself "relieved of importunities to hire the friends of . . . employees on the basis of friendship," or where he could no longer "sell jobs, nor hold his favorites in soft assignments." [83] There was even some talk about not permitting foremen any say in employment at all.[84] And the verdict of a contemporary observer is relevant: [85]

In practice, the main change which the employment departments have introduced has been to centralize hiring. . . . In the main . . . foremen have been more and more relieved (not always willingly) of the task of hiring men.

The literature of the day indicates, however, that it was the other end of employment, namely, separation, which received the great-

[82] John M. Williams "An Actual Account of What We Have Done to Reduce Our Labor Turnover," U. S. Bureau of Labor Statistics *Bulletin* #227, pp. 176–177. Incidentally, a statement by Taylor in the *Bulletin* of the Taylor Society, Vol. 2 (Dec., 1916) makes an almost identical point. See p. 17.

[83] Jones, *op. cit.*, p. 392.

[84] See survey reported by *Industrial Management*, Vol. 58 (Sept., 1919), p. 242.

[85] Douglas, *Journal of Political Economy*, Vol. 27, p. 551.

est amount of notice. That employment management should be delegated the responsibility for hiring is implicit in the origin of the position. But the criticism of line supervisors also made their administration of firing a natural target. To deprive the foreman of the right to fire was, for example, to remove the "easy device of covering his own incompetence by firing a man." [86] The situation as described at Filene's is typical of dozens of comments in the periodicals and speeches of the time.[87]

> An executive in our store can only remove an employee from his section, and the person is turned back to the employment office, which places him in some other division and gives him another trial.

Those exhibiting so marked a distrust of foremen might naturally feel that "efficiency" called for an employment department which would be the supervisor's supervisor, at least in matters pertaining to personnel. Hence, the employment manager sometimes assumed the position of judge. This could mean that the employment manager acted literally as a court of appeal from the decisions of the line supervisor.[88] At Clothcraft, it was "thoroughly accepted" that "both foremen and operators bring their disputes to the department as a matter of course." [89] He could "act as a check on . . . the company's policies as administered to employees by their superiors." [90] Employees "recommended for discharge" should be able to discuss their case with the employment executive, either to "receive justice" or "to be clearly shown by him wherein they were themselves responsible for the termination of their employment." [91]

Naturally, foremen could be overruled and subordinated in practice. It was small wonder that "the establishment of such a bureau is too often believed to necessitate stripping the foreman . . . of authority, prestige or discipline." [92] Troubled by this point, the same manager noted:

> . . . a foreman's authority need not be curtailed in the slightest . . .

[86] Jones, *op. cit.*, p. 392.

[87] Cory, U. S. Bureau of Labor Statistics *Bulletin* #202, p. 43. See also symposium of nine managers, *Industrial Management*, Vol. 58 (Aug., 1919), pp. 153–159; Clothier, U. S. Bureau of Labor Statistics *Bulletin* #196, p. 110; Henderschott and Weakly, *op. cit.*, p. 28; J. M. Williams, *op. cit.*, pp. 179–180. The survey of 94 firms by *Industrial Management* disclosed that 36 managers argued that only the employment manager should have the right to discharge, and another 14 gave a qualified affirmative to this proposition. An even larger percentage indicated that transfer should be solely in the hands of the employment department. Of course, most of those polled were employment executives.

[88] The role was a judicial one. The foreman was not a subordinate of the employment manager.

[89] Gilson, U. S. Bureau of Labor Statistics *Bulletin* #227, p. 146.

[90] Hubbell, U. S. Bureau of Labor Statistics *Bulletin* #227, p. 98.

[91] Alexander, U. S. Bureau of Labor Statistics *Bulletin* #227, p. 54.

[92] H. L. Gardner, "The Employment Department; Its Functions and Scope," U. S. Bureau of Labor Statistics *Bulletin* #202, p. 54.

unless his treatment of employees can not bear the light of oversight [*sic*] which an employment department brings bear upon all employment relations. His power to discharge need not in any way be affected, but the employment department can render his use of this power entirely unnecessary by making possible the alternative course of transferring the man who . . . does not "hitch" with the boss.

Yet the passage betrays the failure to realize that, in any case, the previously absolute authority of the foreman was being undermined. "Surrounded . . . in such a manner that he must absolutely be justified in discharging a man,"[93] he could scarcely regard himself as his predecessors had. If an exit interview uncovered a "chip on the shoulder attitude," a "talk by our superintendent convinced him that while that sort of attitude may have been all right ten years ago, it can't be done now."[94] And what would the following mean to a foreman? – ". . . a 'word to the wise' may be sufficient to alter foremen's tactics or other measures may be necessary."[95]

It is evident, then, that both the adherents of Scientific Management and, more intensively, the partisans of employment management brought foremanship under serious challenge from *within* management.[96] The former somewhat generally and the latter quite particularly urged the reduction in scope of power of the foreman. Thus, early personnel administration and line supervision were, in a real sense, in a sort of competition.

This division of responsibility or authority over workers involved grave dangers. Cooperation between two authorities is never likely to be easy. The question of where the responsibility of the one begins and the other ends is not subject, as a rule, to precise definition. If conflict arises, one or the other must lose face, and ultimately be subordinated or reduced in effectiveness.

Even in the heyday of the employment management movement, there was some controversy around the subject of reducing the authority of foremen.[97] In the period which followed the war, personnel departments were rather sharply curtailed. The labor shortage changed, in the depression of 1921, to a labor surplus. Attention to the needs and desires of labor no longer seemed manda-

[93] S. P. Hall's statement printed in *Industrial Management*, symposium, Vol. 58, p. 155.
[94] Williams, *op. cit.*, p. 188.
[95] Alexander, "Hiring and Firing," *Annals*, Vol. 65, p. 140.
[96] Labor leaders had strongly opposed the absolutism of the traditional foremen. An eloquent statement in this connection is that of A. J. Portenar, "Centralized Labor Responsibility from a Labor Union Standpoint," *Annals*, American Academy of Political and Social Science, Vol. 71 (May, 1917), p. 192.
[97] See, for example, the pages of *Industrial Management* for the years 1919, 1920, and 1921 for evidence of this friction.

tory. And cost-conscious executives seeking to reduce expenses lopped off or reduced employment departments.[98]

In those departments which remained, the organizational relationships showed changes. A good deal of authority was restored to the line supervisors. It is significant that a research investigator concluded in 1923: [99]

> That an advisory type of department has been developing recently is shown by the fact that only four of the twenty advisory departments were established prior to 1917.

By "advisory," Lovett meant here what is today called a staff department, one without direct authority, in contrast to what he called "administrative" departments, those which possessed such authority over line workers or supervisors.

Thus, as the first stage in the evolution of personnel administration in industry came to an end, both its quantitative extent and its scope of operations had been sharply reduced.

Summary and Conclusion

The emergence of personnel administration, one phase of growing specialization in management, did not take place until the twentieth century. To find the sources of personnel administration, we need to turn first to the introduction of Scientific Management. This body of thought contained only incidental reference to personnel matters, but clearly related them to the practices of industrial efficiency. Welfare work, an older movement, constitutes the second source. Out of the practices of philanthropy or paternalism or both developed a system of entrusting responsibility for welfare effort to particular company officers, called social or welfare secretaries.

Modern personnel administration fused certain elements of welfare work and Scientific Management, together with some purely routine clerical functions, into what was at first known as "employment management." Beginning soon after the century's turn, employment management grew, slowly and uncertainly at first. Some stimulation came from the national discussion of labor turnover, with its emphasis on correct selection, placement, and guidance of workers. By far the greatest impulse, however, was a result of the labor shortage and labor problems of the First World War, when

[98] See, for example, contemporary accounts, namely, editorial in *System*, Vol. 42 (Oct., 1922), p. 433; Lovett, *Industrial Management*, Vol. 65, pp. 327–329; Louis A. Boettiger, *Employee Welfare Work* (New York, 1923), p. 260 ff.

[99] Lovett, *Industrial Management*, Vol. 65, p. 331.

employment management was raised almost to the status of a patriotic duty. The extent of wartime influence on the movement would seem to be proved by what appears to have been a rather marked decline (though not disappearance) of such activity immediately following the war.

Thus, by the early 1920's personnel administration reached the end of the first stage of its maturity, giving some portent of its development. The long-term trend toward general acceptance was at that time uncertain, but the growing size of business was an encouraging factor. Cyclical labor shortages naturally enhanced the importance of the personnel function. Overenthusiastic wings had been clipped, and the true role of the personnel department as a staff division, ordinarily without executive or judicial powers and with duties assigned by top management, had been confirmed.

The quarter century of trial and experimentation represented, however, more than a mere organizational adventure. More important, perhaps, than the personnel specialization within large business firms was the emergence of a changing attitude towards the manner of handling workers. This changing attitude was gradually spreading throughout all areas and levels of management. The decent regard for workingman humanity which had so thoroughly imbued the religious-philanthropic-welfare tradition found itself in rather substantial concurrence with the notions offered by those who pursued efficiency. The practice of tyranny in industry could be condemned as inhuman, antireligious, and undemocratic. It was also proving to be inefficient as well, particularly where a reliance on sheer authority was substituted for competence. Both idealism and realism, oddly enough, dictated that relations with labor be reviewed, humanized, individualized.

The pioneers in personnel management had devoted themselves to the cultivation of these newer ideas about employees, ideas which were to find more and more prominence in the course of the next quarter century. It is, perhaps, here that the most significant contribution of this initial personnel movement, covering the span of the first two decades of the twentieth century, really lies.

Great Independent

The Lincoln Telephone Company, 1903–1908

It was not in the nature of the local American entrepreneur to concede to monopolistic power. Technical competence, good controls, and appeals to local pride were potent weapons in the struggle of a small company to succeed in the face of competition with the giant Bell system.

by William D. Torrence

INSTRUCTOR OF BUSINESS ORGANIZATION AND MANAGEMENT AT UNIVERSITY OF NEBRASKA

With the expiration of the fundamental Bell telephone patents in 1893 and 1894, independent manufacturers began making telephone equipment and local entrepreneurs established independent exchanges throughout the United States. The Bell system had concentrated its operations primarily in the larger cities. Connections between many of those cities as well as telephone development in smaller places were undertaken by local companies, either by reaching into areas not

served or by establishing competing exchanges. The present Lincoln Telephone and Telegraph Company in Lincoln, Nebraska, began in 1903 as a local dial exchange competing with the giant Bell system which had had a manual exchange in Lincoln since 1880. Eventually, the Lincoln company was able to make a profit, satisfy the growing communication needs of the local community, and, later, extend its service to a large segment of Nebraska and replace the service of the Bell exchange,[1] becoming one of the largest independent operators in the nation. In this article, we see the successful launching of a small competitor and the means whereby it established itself as a formidable rival to the Bell system in Lincoln and the nearby area.

The incorporators of the new Lincoln telephone company believed they could compete with the local Bell exchange in a successful manner. One of the founders offered three reasons for success. First, the automatic exchange would provide the latest, improved telephones operated from central energy, thus doing away with batteries necessary in individual telephone installations. Secondly, he implied that the rates to be charged would be lower than those charged by the Bell exchange. Finally, the new firm would be a home-owned company.[2] Also, news articles of the day show that there was some sentiment in Lincoln for competition with the Bell exchange in order to upgrade and extend the service being offered. Moreover, it was fashionable in those days to denounce big business, monopoly, and trusts, and this appeal was likewise made to the public in the Lincoln venture. In addition, the new firm was aided by the Nebraska Independent Telephone Association, organized about 1900 to unite the independent telephone companies against the Bell system.[3] The Association acted as a propaganda agency and advertised its cause throughout the state. These, then, were the basic reasons why the incorporators of the new telephone exchange felt they could successfully compete with the already established Bell exchange.

State of the Telephone in the United States, 1903

At the time the Lincoln Telephone Company penetrated the field in 1903, there were 9,136 commercial, mutual, and farmer (or rural) systems and lines in the United States. The "commercial systems"

[1] Joseph Hartley, *The History of LT&T: A Story of Free Enterprise* (Lincoln, Nebraska: Lincoln Telephone and Telegraph Company, c. 1955).

[2] *Nebraska State Journal*, March 10, 1903.

[3] Harry B. MacMeal, *The Story of Independent Telephony* (Chicago: John F. Cuneo Company, 1934), pp. 271-274.

included all those operated by individuals, firms, or corporations for revenue. The mutual systems comprised all those operated through a mutual agreement among persons benefiting from the service, and revenue was incidental to the operation. The farmer or "rural" lines contained all lines having no centralized office or regular exchange. The latter group was not considered in the category of commercial telephony. Of the total number of systems and lines, 4,151 were considered as commercial and mutual systems and 4,985 were classed as farmer or rural lines. A breakdown of the commercial and mutual figures show that 44 systems, or 1.1 per cent, were operated by the American Telephone and Telegraph Company and 4,107, or 98.9 per cent, were independent companies. However, these figures do not by themselves, reflect the true picture of the time. AT&T, or the Bell system as it is commonly called, served 1,317,178 telephones, compared to 998,119 telephones served by the independents. In addition, the farmer or rural lines accounted for 55,747 telephones. This was a total of 2,371,044 telephones. At the beginning of 1903, this aggregate of 9,136 systems and lines represented assets of $466,421,553 and provided employment for approximately 80,000 telephone company employees.[4]

It is of interest to note that a geographic breakdown of the United States shows that the North Central Division, of which Nebraska is a member, contained, at the beginning of 1903, 6,739 telephone systems and lines or approximately 74 per cent of all the telephone systems and lines in existence in the United States at that time.[5] These North Central systems and lines served 1,139,914 telephones or 48 per cent of all telephones in the United States in January, 1903. One of these systems was the Bell exchange in Lincoln, Nebraska, servicing about 1,500 telephones. This was the national, state, and local picture facing the Lincoln Telephone Company as it began its venture.

Formation and Initial Financing

The present Lincoln Telephone and Telegraph Company was incorporated in Nebraska on March 7, 1903, under the name of The Western Union Independent Telephone Company and organized by Frank H. Woods, Allen W. Field, and Charles J. Bills. Woods, a thirty-five-year-old attorney in Lincoln, had moved to Nebraska

[4] Special Report, U.S. Census, *Telephones and Telegraphs*, 1902; Special Report, U.S. Census, *Telephones: 1907*.

[5] The North Central Division (a U.S. Census designation) includes the following 12 states: Ohio, Indiana, Illinois, Michigan, Wisconsin, Minnesota, Iowa, Missouri, North Dakota, South Dakota, Nebraska, and Kansas.

from Illinois with his family when only a lad. He attended the University of Nebraska, receiving his law degree and admission to the bar in 1892. For several years he was connected with the firm of Harwood, Ames, and Kelly in Lincoln. Later, he helped to organize the law firm of Hall, Woods, and Pound. Mr. Woods retained his connection with this firm from 1904 to 1910. Bills, thirty-eight years old, likewise was born in Illinois. He attended the University of Illinois before moving to Nebraska in 1881. He organized banks in Endicott and Fairbury, Nebraska. Field, forty years old, also came to Nebraska from Illinois when a boy. After attending the University of Nebraska and studying law with a Lincoln firm, he was admitted to the bar in 1878. Besides practicing law he held positions as a state legislator and district judge during 1883–1892.[6]

The original idea for the formation of an independent telephone exchange in Lincoln apparently came from Charles J. Bills and his brother Frank, promoters of small telephone companies. When attending school in Illinois, the Bills brothers had been students of Colonel F. M. Woods, father of Frank H. Woods. As they sought to promote the independent telephone business in Lincoln it was natural for them to seek the legal aid of the son of their former school teacher.

On March 9, 1903, the city council of Lincoln granted a fifty-year franchise to the new firm, and the promoters immediately concentrated on the problem of financing the new telephone company. The articles of incorporation authorized a capital stock of $1,000,000, divided into 10,000 shares of $100 par common. The seven men who formed the first board of directors immediately subscribed for $300,000. Charles Bills, Frank Bills, and their father, Fred G. Bills, agreed to furnish most of that amount. It appears that Charles Bills was the financier of this family. In 1881, he had organized the Bills and Hodges Bank in Endicott, Nebraska, and the next year, the Bank of Diller at Diller, Nebraska. Several years later, in 1886, he sold these interests and moved to Fairbury, Nebraska, where he concentrated on investment banking, particularly the investment of farm loans for eastern capitalists. Bills' business was said to be "highly prosperous and . . . the largest of its kind in southern Nebraska, Mr. Bills having continuously loaned out (his own and eastern venture capital) on first class farm security more than two and a half million dollars."[7] Allen W. Field, the three Woods brothers, Frank, George, and Mark, subscribed only for 10 shares

[6] Hartley, *op. cit.*, Chap. 2.
[7] *Lincoln Journal*, July 12, 1920.

each. Fred G. Bills became secretary-treasurer at a salary of $150 per month with the proviso that he devote his entire time and services to the work of the company. Charles J. Bills was elected president of the firm and Allen W. Field vice president, both unpaid positions.[8]

In June, 1903, the firm's name was changed to the Lincoln Telephone Company and the Bills brothers obtained a contract to construct the Lincoln exchange and obtain 3,000 subscribers in return for 9,000 shares of paid-up capital stock and $400,000 of 6 per cent, twenty-year bonds. The Bills brothers also agreed to use the telephones, switches, and equipment manufactured by the Automatic Electric Company of Chicago, which the Lincoln promoters felt had certain advantages over the manual system used by the local Bell exchange.

The automatic telephone had been invented in 1889 by Almon B. Strowger, a Kansas City undertaker. He used an electrical switch which was driven by electro-magnets and controlled by the subscriber so as to connect him with the desired telephone. The entire design was intended to do away with the delays and mistakes of manual operation. The device was successful to a large degree and the first automatic exchange was installed at La Porte, Indiana, in 1892. Although the automatic exchange at Lincoln, Nebraska, installed in 1903–1904, was not the first in the United States, it was one of the first. As nearly as can be determined, the Lincoln automatic exchange was among the first ten to be established in this country. One record shows installations at Albuquerque, New Mexico, and at Trinidad, Colorado, and Amsterdam, New York, prior to 1900. Others were installed prior to 1910 at Dayton and Columbus, Ohio; Los Angeles, California; Grand Rapids, Michigan; Tampa and Jacksonville, Florida; St. Paul, Minnesota; Sioux City, Iowa; Buffalo, New York; and Omaha, Nebraska.[9] The recommendation for the installation of Strowger equipment by the Lincoln company apparently came from Jones and Winters, a Chicago firm, who were advisers to the Bills brothers. The automatic was a dial type of telephone, and it is interesting to note that the original automatic telephone worked, for the householder, much like the dial telephone of today.[10]

The Bills brothers contract also provided that they would loan

[8] Western Union Independent Telephone Co., Minutes of Stockholders, May 4, 1903. All records of the Lincoln Telephone and Telegraph Company and its predecessors are deposited in the company's executive offices in Lincoln, Nebraska.

[9] MacMeal, *op. cit.*, pp. 271–274.

[10] Interview with J. H. Hartley, Editor, Lincoln Telephone News, Sept. 2, 1958.

6,000 shares of their stock to the company to be used by the corporation as collateral for credit. The board of directors then voted to issue $25,000 of paid-up capital stock each to Allen W. Field and Frank, Mark, and George Woods for services rendered to May, 1903. The Bills brothers received the $400,000 in bonds, secured by trust deed upon all of the property of the company. The bonds and stock were delivered to them in installments as the work progressed. In addition, the Bills received all the income from the operation of the exchange until it was accepted by the Lincoln Telephone Company. Acceptance of the exchange was based on the complete connection of 3,000 phones with a total capacity of 10,000 connections.[11]

The impetus for speedy construction of physical facilities and in-service operation of the exchange came from a provision in the franchise which provided that rentals for telephone service could be charged only when 1,500 telephones were connected and properly operating.[12] When that number of telephones became operative, the franchise further stipulated that $36 per year could be charged for business telephones and $24 per year for residence telephones.

The Bills brothers did not perform the construction themselves. They arranged contracts with other firms, each contract being drawn in the name of the Lincoln Telephone Company and approved by the building committee of the corporation, consisting of Frank H. Woods, Allen W. Field, Mark W. Woods and George Woods.[13]

Three contracts were drawn by the Bills brothers and accepted between June and October, 1903. The General Engineering Company of Chicago furnished and installed the outside equipment, including poles, wire, cable, and underground conduit for $133,000. The Automatic Electric Company of Chicago furnished and installed the switchboard, central office equipment, telephones, and a variety of allied equipment for $90,000. The Campbell Brothers Construction Company of Lincoln erected the telephone building on Fourteenth Street between N and M for $15,575.[14]

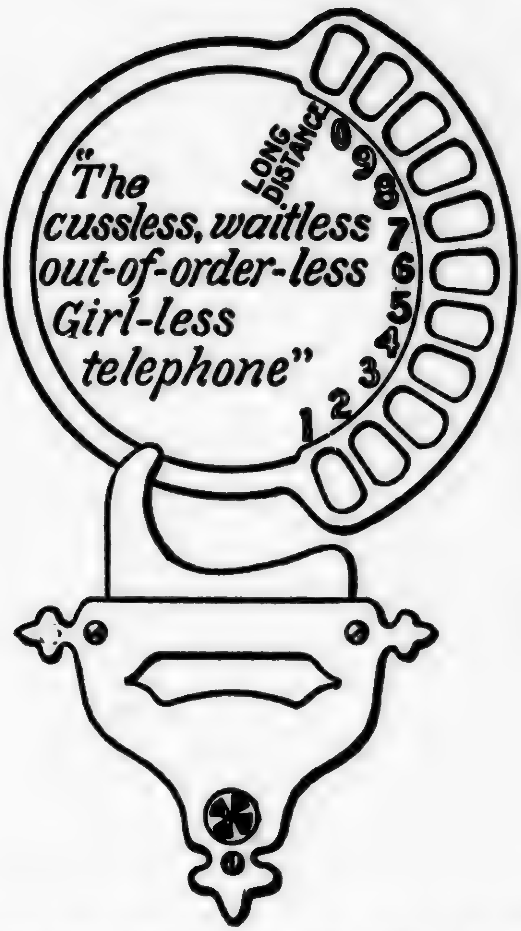
In November, 1903, the stockholders authorized the board of directors, essentially the same seven persons, to borrow $650,000, the limit of bonded indebtedness allowed by the articles of incorporation, and to secure the debt by a mortgage or deed of trust of all the corporate property. This was to include all the property held at

[11] Lincoln Telephone Co., Minutes of Directors, June 22, 1903.

[12] Franchise granted to the Lincoln Telephone Company by City of Lincoln, Nebraska, March 9, 1903.

[13] Lincoln Telephone Co., Minutes of Stockholders, June 22, 1903.

[14] Contracts of Lincoln Telephone Company with General Engineering Company, June 22, 1903; Automatic Electric Company, July 14, 1903; and Campbell Brothers Construction Company, Oct. 6, 1903.



THIS SLOGAN AND DESIGN OF AN EARLY DIAL WAS USED BY THE LINCOLN COMPANY IN EARLY ADVERTISEMENTS AND ALSO APPEARED ON THE COVER OF ITS TELEPHONE DIRECTORIES

the time as well as that acquired in the future. Contact was made with the Central Trust Company of Chicago and the mortgage was drawn up. A stipulation was included to the effect that $400,000 of the bonds were to be certified at once and issued to "such person or corporation as the president and secretary may . . . designate." [15] As far as can be logically determined, this $400,000 was the bond portion of the contractual amount to be paid to the Bills brothers for putting the telephone exchange in operation. The remaining $250,000 of the issue was to be used from time to time for buying or building enlargements or extensions and betterments of the new company's automatic telephone exchange system.[16]

The Bills brothers worked diligently, and on October 24, 1904, the Lincoln Telephone Company exchange was officially accepted with 2,434 telephones in operation and with plant capacity available for the eventual hook-up of 10,000 telephones. In addition to the Lincoln exchange, a line was constructed to University Place, Havelock, Normal, College View, and Belmont, communities at that time outside the city of Lincoln. All stocks and bonds due the Bills brothers were now delivered to them. At the time of acceptance, monthly income amounted to $5,033 and expenses were estimated at $4,350.[17]

Operating organization of the company became of prime importance to the directors and stockholders now that the physical plant was in operation, although financial problems were by no means at an end. Immediately upon acceptance of the newly constructed telephone exchange, arrangements were made to employ a full-time general manager, a cashier, and a bookkeeper. Provision was made for the keeping of books and records and the directors called for a continual summarizing of all business transacted by the company, especially the total number of telephones working, list of phones taken out, number of new subscribers received, number of new telephones installed, employees hired and discharged, and a report as to income and expense.[18] The 42 jobs listed in Table I give an idea of the variety of work skills needed even in the early years of the automatic telephone.

A more detailed organization of the top management was effected in late 1904. The board was increased to nine members in October. In December, 1904, an executive committee was created to act on all company matters needing attention, subject to control of the

[15] Lincoln Telephone Co., Minutes of Directors, Nov. 11, 1903.
[16] *Ibid.*
[17] *Ibid.*, Minutes of Stockholders, Oct. 3, 1904.
[18] *Ibid.*, Minutes of Directors, Oct. 11, 1904.

entire board. Frank H. Woods was elected chairman with Charles J. Bills and A. O. Faulkner completing the committee. At this same board meeting Charles J. Bills was re-elected president with Allen W. Field, A. O. Faulkner, and Frank H. Woods elected vice president, treasurer, and secretary, respectively. The office of general counsel was created by the board and Frank H. Woods was elected to fill the position. The basic duty of this office was to exercise a

TABLE I

Wage Scale of the Lincoln Telephone Company, 1904

Job Title	Salary per Month
General Manager	$200
Engineer	65
Wire Chief	75
Stenographer	35
Contract Clerk	50
Storekeeper	50
Cost Clerk	55
Cashier	75
City Foreman	85
Chief Operator	35
Toll Operator	30
Relief Operator	27
Trouble Clerk	35
Night Wire Chief	50
Rackman	40
Inspector	50
Switchman	65
Check Clerk	25
Clerk	35
Solicitor	40
Collector	50
Bookkeeper	35
Cable Splicer	85
Lineman	75
Rodman	30
Clerk	35
Night Inspector	40
Janitor	40

Source: Letter from General Manager in Minutes of Board of Directors, Oct. 31, 1904.

general supervision of *all* affairs of the company subject to the control of the executive committee and the board of directors. This is the first appearance of what may be considered a chief executive officer in fact even though not in title. The appointment of Frank H. Woods to the chairmanship of the executive committee and his choice as general counsel at the same time imply a recognition of the

need for specific and immediate control of the new company's business affairs. However, the choice may very well have come about because of the numerous and complex legal and contractual situations that were facing the firm's organization. Salary for the position of general counsel was later fixed at $100 per month.[19]

In May, 1905, election of officers took place for the coming year. Frank H. Woods became president; Allen W. Field, vice president; and W. E. Sharp, secretary-treasurer. This election of officers was the first of the annual elections that have since been held. All other elections had been on an interim basis while the company was starting its organization. Financing of the new telephone exchange continued to be of primary importance and the need to control costs by means of a logical and rather tight organizational structure is reflected in the minutes of the board meeting held in June, 1905. At this meeting, the newly elected officers assumed their duties and immediately proposed and adopted a new set of by-laws which called for the creation of several standing committees of directors like the more progressive corporations of that period. Six committees were created in the following areas: finance, auditing, purchasing, construction, toll line, and employment. The duties and responsibilities of each committee were carefully defined, and rather modest dollar limits on expenditures were imposed, usually $200. These limits could only be exceeded with board approval. It is also of considerable interest that President Woods retained the right to appoint all standing committees.[20] Although there is no specific documentation, the rigidity of control seems to have arisen from two sources: first, the legal background of the new president and, secondly, the need for extreme caution, especially financial, in the formative years of the new company.

The year 1906 was spent primarily in raising funds for equipment and current expenses from various sources both in and out of the state. Also, by this time the work force had grown to 121 employees. In early 1907, the president's salary was increased to $200 per month to equal that of the general manager. The directors and secretary were paid $5.00 for each board meeting they attended. In April, 1907, at a special stockholders meeting, it was voted to amend the articles of incorporation and increase the capital stock from $1,000,000 to $1,200,000. The additional $200,000 was to be preferred stock and was given a cumulative dividend. After approval by the stockholders, a special board meeting was held giving authority to the

[19] *Ibid.*, April 27, 1905.
[20] *Ibid.*, May 30, June 30, July 12, 1905.

president and secretary to sell $50,000 of the preferred. Apparently the need to issue a preferred stock came about due to a need for more working capital. The records show that as of April, 1907, there were only 4,000 shares outstanding of the original authorization of 10,000 shares of the common. To make the preferred as attractive as possible the following rights were given it: besides preference as to dividends the stock had preference over the common as to distribution of net assets upon dissolution, equal rights with holders of the common stock in election of officers and in control of the company, and finally, the cumulative dividend mentioned earlier was fixed at 7 per cent. Par value was $100 per share and by May, 1908, only 190 shares had been issued. The amount apparently did not suffice because the drive to sell the company bonds was intensified. However, by December, 1908, over $66,000 in preferred stock had been issued.[21]

Competition and Expansion

Expansion needs became apparent early in the history of the new automatic exchange if the company was to hold its ground against the already established Bell system. In August, 1904, the stockholders authorized the board of directors to proceed with a branch exchange at University Place and extend lines to Burnham, Cotner, and Lancaster. The board was further authorized to sell enough company bonds to pay 85 per cent of the cost of construction. However, the University Place exchange was postponed. Construction costs had tightened the finances and it was necessary to search for additional funds. Loans were made from Lincoln banks in amounts ranging from $3,000 to $6,000, and $30,000 in treasury bonds were authorized by the board in October, 1904, to pay for continued construction needs. In April, 1905, the Illinois State Trust Company loaned the Lincoln Telephone Company $50,000. During the following month the stockholders approved the installation of an exchange at University Place and authorized the directors to borrow an additional $100,000, pledging the company's bonds as collateral.[22] Also, the stockholders agreed that surplus earnings for the coming year were to be used in payment for construction and that no dividends were to be paid upon the stock.

The events from October, 1904 (the date of acceptance of the exchange from the Bills brothers), to May, 1905, show the following

[21] *Ibid.*, Minutes of Directors, Feb. 15, April 15, 1907; Minutes of Stockholders, Feb. 15, April 15, 1907.

[22] *Ibid.*, Minutes of Stockholders, May 1, 1905.

progress. Telephones in operation had increased to 3,025, making a gain of 591 over those in operation on the date of acceptance. Connecting lines with the College View Telephone Company, the Plattsmouth Telephone Company, and a cooperative company in Cheney had increased the telephone network by 318 telephones. Farm lines were under construction on East "O" Street and negotiations were under way with other exchanges in Lancaster County.[23]

The earnings and expense statement for October–December of 1904 give a dollar picture of the progress of the firm. Total revenue for the three months was $14,679. Total expenses were $8,983. However, interest on bonded indebtedness during this period was $6,025. Thus, there was a net loss for the three-months' period of $329.[24] The deficit for this period was attributed to the large expense for advertising and soliciting of new business. The general manager stated that future expenses along this line would be very small "as we have reached a point where we do not feel the competition of the Bell company. It is no longer a fight to see who gets a subscriber, as our service is invariably preferred and our only difficulty has been to install the cable fast enough to furnish the service demanded."[25]

This optimistic statement had certain validity in news articles of the day. In the *Lincoln Journal* of November 13, 1904, Harpham Brothers stated in an advertisement that they had discontinued the use of the Bell system telephone at their wholesale saddlery house because they felt that the Bell service should be furnished at no higher cost than the automatic service, and they further stated that since most of their customers had the automatic telephone they found it unnecessary to have both. A news story earlier in 1904 also carried the comment that the clerk of the district court had been called before the city commissioners and asked which telephone he desired to retain in his office. He stated that he preferred the automatic telephone because he could reach more people who had business in his office.[26] However, these comments do not fully reflect the extensive campaign waged by the Lincoln Telephone Company and the Bell system in the local newspapers.

With two exchanges officially in operation in Lincoln in late 1904, the drive was on not only for new business but to obtain as many subscribers as possible by one exchange from the other. Ads were purchased by the Bell system and that firm extolled the virtues of

[23] Letter to Stockholders from General Manager, May 1, 1905.
[24] Lincoln Telephone Co., Earnings and Expense Statement, Jan. 31, 1905.
[25] Letter to Stockholders from General Manager, May 1, 1905.
[26] *Lincoln Journal*, July 17, 1904.

its operations. Considerable news space was devoted to the relative merits of each system and news reporting often became straight editorializing. For example, a news story in a November, 1904, issue carried the headline, "Incomparable Service at the Lincoln Bell Exchange." [27] The news item, somewhat romantically, traced the path that a telephone message takes. News stories of this nature were often followed by advertisements telling of the number of telephones a new subscriber could become connected with and the amount of square mileage these connections would cover. By far, the largest amount of straight advertising seems to have been done by the Bell system. This appears understandable in view of the fact that the Bell system was already established and its financial pressure was somewhat less than for the new telephone company.

The Lincoln Telephone Company was proud of the automatic aspect of its operation. The Bell exchange referred to this automatic principle in a December, 1904, advertisement which said that "This company, the Bell system . . . is one of the largest employers of labor in the city. It does not employ any *iron girls*, but its employees are real flesh and blood. . . ." [28] The Lincoln Telephone Company replied by taking numerous one-line and two-line advertisements in local papers throughout 1904 and 1905 to the effect that the automatic telephone had reduced monthly rental costs, was a phone for the masses and not the classes, had brought in wider coverage and was giving better service than the Bell system. The automatic company's appeals obviously met with some success during this period. A news story in February, 1905, states that a supplemental directory was issued by the Lincoln Telephone Company containing 200 new subscribers added the previous month. Other news stories during 1905 show other increases in subscribers for both firms, however. Unfortunately, unavailability of Bell system statistics do not allow for a comparison.

Along with the gains in local business, the Lincoln Telephone Company was extending into the rural areas in competition with the Bell system. The *Lincoln Star* carried a news story in September, 1905, telling of the "bitter fight" between the two companies to gain connections with the towns of Firth, Cortland, Hickman, Adams, Martel, and Panama. A meeting was held in September in the village of Firth with representatives of the Lincoln Telephone Company and delegations from each of the townships. After a thorough dis-

[27] *Lincoln Star*, Nov. 15, 1904.
[28] *Ibid.*, Dec. 10, 1904.

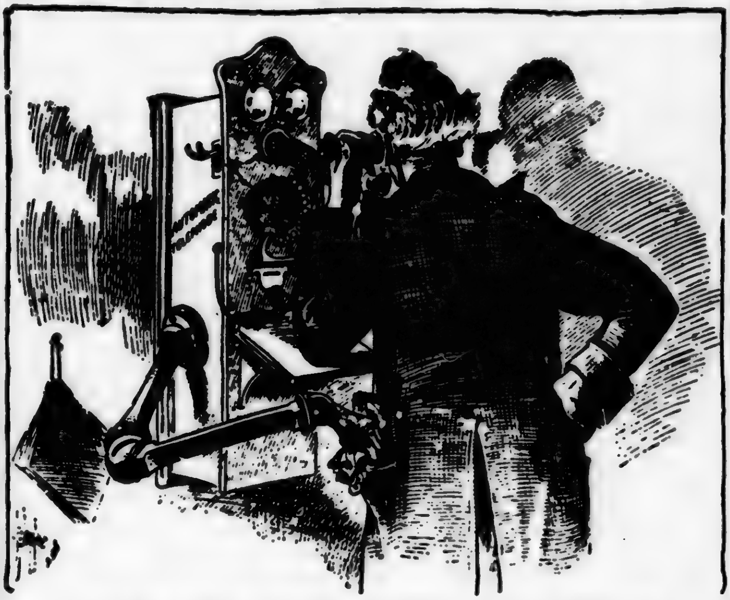
cussion of the question, the delegations in attendance voted to connect with the automatic exchange in Lincoln.[29]

Part of the competitive struggle for business took its form in charges and counter-charges concerning the respective rates that were established. The Lincoln Telephone Company had increased rates by 25 cents per month in November, 1906, and later that same month the Bell exchange placed an advertisement in the *Lincoln Star* which stated, in effect, that the one phase of the automatic telephone that was always working was an automatic arm reaching into the customer's pocket. The Lincoln Telephone Company stated its position in a news story later that same month. Its manager charged that the Bell system was furnishing service at less than cost in order to eliminate competition and warned that, if this happened and competition was eliminated, the Bell exchange would then raise its rates. He continued that a rate increase had been necessary in order to set aside a proper amount for depreciation and renewals.[30] Following this newspaper statement, President Woods of the Lincoln Telephone Company asked the Lincoln Commercial Club to appoint a committee of local businessmen to investigate the financial affairs of his company. This was done and in December, 1906, the committee reported that they felt the rate increase was necessary to provide a 7 per cent depreciation fund and that under the new rates this fund would be provided.[31] The conclusion of the committee was based on the financial report made by Mr. E. P. Hovey, a Lincoln accountant. Mr. Hovey's analysis of the company's books showed that surplus earned to October, 1906, had been put back into extensions of the plant and no dividends had been paid on the common stock.[32]

Apparently the rate increase proposed and implemented by the automatic exchange did not affect the expansion program. After the newspaper publication of the financial status of the Lincoln Telephone Company, the Bell exchange attempted to capitalize on the former's rate increase by announcing a rate reduction. The reduction was 50 cents per month on individual and two-party residence line telephones and went into effect in December, 1906.[33] Even though Bell system competition continued, the number of automatic telephones of the Lincoln Telephone Company increased at a fairly steady rate from year to year. See Table II.

[29] *Ibid.*, Sept. 3, 1905.
[30] *Lincoln Evening News*, Nov. 21, 1906.
[31] *Sunday State Journal*, Lincoln, Nebraska, Dec. 2, 1906.
[32] Report by E. P. Hovey, Accountant, to C. H. Rudge, J. C. Harpham, and P. L. Hall of Lincoln Commercial Club, Dec. 1, 1906.
[33] *Lincoln Star*, Nov. 20, 1906.

THE AUTOMATIC ARM WILL ALWAYS WORK



One thing about the automatic telephone that will always work

ADVERTISEMENT

Further expansion in the face of competitive pressure is reflected in the numerous contracts drawn up with various communities in Lancaster County. In many instances these contracts show not only new connections for the automatic exchange with a community that had never had telephone service but also a displacement of the Bell system. This success may be attributed to a combination of factors: strategic reference to the "telephone trust," the new company's desire to extend service beyond the boundaries of the city of Lincoln, and the convenience of the dial telephone operation as opposed to the Bell exchange's manual operation.

Expansion is further shown in the contract between the Lincoln Telephone Company and the Western Telephone Company of November, 1907. The latter firm was engaged in operating a comprehensive system of toll or long-distance lines radiating from Lincoln. This toll line network extended approximately 100 miles north and 150 miles south of Lincoln as well as 60 miles east and 100 miles west.[34] The contract provided that the automatic exchange would

[34] Toll Circuit Map, Western Telephone Company, Lincoln, Nebraska, Aug. 26, 1907.

TABLE II

Annual Data of the Lincoln Telephone Company, 1905–1908

	Dec. 31, 1905	Dec. 31, 1906	Dec. 31, 1907	Dec. 31, 1908
Fixed Capital Employed	$925,478.77	$1,005,424.78	$1,066,490.19	$1,159,137.76
Other Assets	11,156.29	38,762.28	47,551.62	57,748.37
Total Assets	936,635.06	1,044,187.06	1,114,041.81	1,216,886.13
Common Stock	400,000.00	400,000.00	400,000.00	400,000.00
Pfd. Stock			15,600.00	66,400.00
Bonds	459,200.00	550,000.00	575,700.00	586,000.00
Other Liab.	64,565.95	65,797.68	69,737.68	82,240.37
Surplus	12,869.11	28,389.38	53,004.13	82,245.76
Total Liab.	936,635.06	1,044,187.06	1,114,041.81	1,216,886.13
Gross Earnings	77,254.42	105,279.24	120,964.74	134,840.52
Expenses Other Than Taxes and Interest	35,047.60	53,739.28	54,826.22	60,257.27
Taxes	4,594.12	4,785.50	7,161.21	8,137.33
Interest	24,414.67	31,234.19	34,362.56	37,204.29
Net Income	13,198.03	15,520.27	24,614.75	29,241.63
Fixed Capital Employed Per Telephone	264.95	220.83	199.72	189.22
Telephones Bus.	1,028	1,209	1,430	1,502
Res.	2,335	3,138	3,666	4,315
Ext.	130	206	241	309
Total Telephones	3,493	4,553	5,340	6,126

Source: Compiled from Lincoln Telephone Company balance sheets and income and expense statements, 1904–1908.

grant exclusive toll and booth privileges for automatic telephones in Lincoln to the Western Telephone Company, connect them to the automatic system and furnish certain physical facilities. In return, the Western Telephone Company agreed to pay 10 per cent of all the in and out toll revenue and 50 per cent of all local booth revenue to the Lincoln Telephone Company. A further stipulation was made in the contract that neither party would become connected with the Bell system in any way during the life of the agreement.[35] This alliance now gave the automatic system broader telephone coverage as well as some protection from inroads by its rival. It is interesting to note that the toll system acquired in the agreement between the two companies is, roughly, the operating territory of the present Lincoln Telephone firm.[36]

[35] Contract between Lincoln Telephone Company and the Western Telephone Company, Nov., 1907.
[36] Hartley, *op. cit.*, Chap. 3.

Financial Progress

The history of the early years of the Lincoln Telephone Company may be traced in the company's original financial statements presented in Table II. The fixed capital employed each year includes cost of plant, buildings, real estate, furniture, fixtures, construction account, and tools. Other assets include such items as warehouse supplies, stable equipment (the horse and wagon were used to haul men and equipment), bank account, and petty cash. Liabilities include the capital stock, bonded indebtedness, bills payable, accrued interest on bonds, monies due toll lines, various accounts payable, and surplus.[37] Examination of the Table will reveal the relative fixed capital employed per telephone and shows how this cost decreased each year even though additional telephones were added. Between the years 1905 and 1908, the total number of telephones increased approximately 220 per cent while fixed capital employed per telephone decreased slightly over 30 per cent. However, it should be remembered that the original exchange had a capacity of 10,000 telephones. Until this capacity was utilized, it would not be necessary to increase plant size to any great degree.

It is also of interest to note in Table III that gross earnings per phone were $22.12 in 1905 and $22.01 in 1908 as contrasted with net income per phone in 1905 of $3.78 and $4.77 in 1908. Furthermore, no dividends were paid on the company's common stock from the time of incorporation through 1908. The surplus at the end of each year was carried over and added to the net income of the succeeding year.

A ratio analysis of certain figures also helps us to see more clearly the financial position of the company in its early years.[38] In the light of competition presented by the Bell exchange, this position could have been disastrous. It is also interesting to note the small percentage of net income return on fixed capital employed and on equity. In view of these figures, it is not surprising that dividends on the common were passed in the formative years and that all earnings were retained from year to year.

The analysis does not go beyond December, 1908, because the company was consolidated with the Western Telephone Company and completely refinanced in early 1909. This started a new period

[37] It was a prevailing practice in the early part of the twentieth century to consider stock equity under the general heading of liabilities.

[38] For purposes of this paper we are concerned with three basic ratios: the current ratio, which indicates the number of dollars of current assets available to meet current debt; the quick ratio, which indicates the number of dollars of cash plus receivables available to meet each dollar of current debt; and the ratio of net income to stockholder's equity.

TABLE III

Financial Ratios of the Lincoln Telephone Company, 1905–1908

	Dec. 31			
	1905	1906	1907	1908
Current Ratio	1:6.0	1:2.2	1:1.8	1:1.8
Quick Ratio	1:7.9	1:4.2	1:3.0	1:3.7
Percent of Net Income to Gross Revenue	17.08	14.74	20.35	21.69
Percent of Net Income to Fixed Capital Employed	1.43	1.54	2.31	2.52
Percent of Net Income to Equity (Common Stock) (Preferred Stock) (Surplus)	3.20	3.62	5.25	5.33
Gross Earnings per Telephone	$22.12	$23.12	$22.65	$22.01
Net Income per Telephone	$ 3.78	$ 3.41	$ 4.61	$ 4.77

Source: Computed from Lincoln Telephone Company financial statements, 1905–1908.

in the company's history, but the ensuing progress was possible only because of the prudent management of the first six years. The promotion drive of the Bills brothers, the financial acumen and tight control exercised by Frank Woods, the wise selection of the new automatic or dial telephone, and the consolidation with the Western Telephone's toll lines were major factors in the initial success of the Lincoln Telephone Company.

Like the financial mart from which it derives its name, OVER THE COUNTER is designed for the types of exchanges not handled elsewhere. This feature has its origin in a demand among readers of business history for a place to compare ideas, voice comments on published articles and reviews, and publish research essays. Contributions are invited. The Editor and Advisory Board reserve the right to decide whether, on the basis of general interest, pertinence, and merit, such contributions will be published. OVER THE COUNTER will appear as often as the volume of contributions may dictate.

SHOP TALK

ARTHUR M. JOHNSON

BARRY E. SUPPLE

Assistant Professors of Business History at Harvard Graduate School of Business Administration

Men in all walks of life have a habit of talking "shop" among themselves; business historians are no exception. For more than thirty years they have talked about the desirability and necessity for business to make historical records available to competent scholars. Unfortunately, much of this talk has not reached the ears of businessmen, although where it has, the results have been impressive. Today, when business historians have not only won the respect of other scholars but are on the threshold of reaching the public directly through such mass media as paperbacks, it is paradoxical that, in general, businessmen, who have much to gain from such developments, still have not provided sufficient facilities for meaningful research in business history. To put it broadly, a business society is being partially deprived of an accurate self-portrait because businessmen in too many instances have not provided the ma-

terials from which business historians must work.

We are not deluded into thinking that this situation can be changed rapidly. Our purpose in posing the issue anew stems from the belief that the problem of access to business records is becoming more pressing and that a satisfactory answer hinges on the combined efforts and mutual understanding of businessmen and historians. Frankly, we historians must interest more businessmen in our "shop talk." *Therefore, we are here presenting our thinking as an inducement to others — businessmen as well as historians — to contribute their comments and suggestions.*

The historian's task is to ferret out the truth as he understands it, to be objective, and to present his results in as balanced a form as he can. To achieve this goal in business history is perhaps more arduous and difficult than elsewhere in the broad reaches of Clio's domain. Clearly the business historian cannot and should not be an apologist for businessmen, nor can he guarantee them that his findings will all be flattering. He can only offer his credentials: skills in a specialized field, a sincere interest in his subject, and avoidance of uncritical or irresponsible generalizations or distortions. Where the historian is aided rather than hindered in his job of getting at the truth, the odds are heavy that the businessman and the public will benefit in terms of a better understanding of business and its role in society. If the businessman will accept the importance of such understanding, he will have acknowledged that he, as well as the historian, has a stake in the question of access to business records.

In human affairs, understanding is its own justification. But if the businessman is not happy at being cast in the role of a scientific specimen, he might well ask himself what he has to lose, or, if he is sufficiently sanguine, what he has to gain. Modern society has long since ceased to confuse silence with virtue; indeed, it has tended to assume a negative correlation between these two admirable qualities. Assuming that there *is* a favorable case for business enterprise, the business executive might well ask himself whether his interests are better served by public ignorance or public knowledge of his firm's past activities.

Many businessmen, who would not dream of opening their records to outsiders or publicizing the results of their own researches, acknowledge the usefulness of a company history for "policy" purposes by having one available for internal consumption. What they may fail to appreciate is that a history can be of even greater worth when (a) written by an outsider and (b) published for general consumption. Analysis by a competent outsider provides an objectivity and independence, not to mention a technical competence, which may prove most valuable to the firm itself in self-examination. In addition, publication for a general readership promotes the wider understanding of business, which should relieve familiar anxieties that history may be a luxurious and expensive frivolity.

The more general fears — of unfavorable publicity, of exposure of information to competitors, even of, perhaps, unwittingly providing material for such an unwelcome visitation as an antitrust suit — presumably contribute to businessmen's reluctance to sit for an historical portrait. The final answer to these fears can lie only in the businessman's own view of business history and of other men's experience in this field. By direct in-

quiry of businessmen we hope to establish more definitely the nature of these views and also their experience with business history. For the present it must be sufficient to repeat the essence of what has already been said: over the long run, business, as well as the community, has much to gain from a full and frank examination of the historical record. Recent experience of numerous firms tends to confirm this view.

Let us make the happy assumption that the businessman is fully convinced of the worth of business history. A formidable range of problems still confronts him and the historian. Understandably, he does not wish to give access to his records to *anyone* who asks for it. For one thing, he has a right to protect his property against abuse by biased or unqualified researchers. For another, the sheer physical problems of locating and opening records for all who ask to see them might impose too great a burden in time consumed. How to establish efficient relationships with researchers, how to offer help without being inundated with requests for aid — these are the questions that need answering.

The first step, it seems to us, is to insure that mechanical barriers have been reduced wherever possible. For instance, a company ought to have an explicit policy with regard to retention of historical records — not to mention an awareness of what records survive and their location. It may have to consult professional archivists, records managers, and historians to establish a policy, which will vary as between industries and even firms, for the preservation of important material without the accumulation of useless wastepaper. Not only can much of this advice be obtained for the asking but at the same time it can save the business money while facilitating historical research.

In addition, whatever policy is formulated with regard to inquiries concerning research, *someone* in the firm ought to be charged with executing it. Too many historians have wasted valuable time trying to find an individual in a company who had authority to grant access to its historical records. Obviously it is easier for company officers to say "no" than to assume a responsibility which is not formally theirs. If one man has the responsibility of knowing what records are available, and the power to grant access to them, one source of frustration and friction will be minimized.

Another mechanical difficulty lies in the fact that different groups of investigators have differing needs. A policy on access to company records should take into consideration the less demanding needs of students, the more specialized requirements of mature historians, and the particular interests of researchers into business administration.

Assuming mechanical problems have been satisfactorily resolved, how can the businessman protect himself from time-wasting researchers and keep his records out of biased hands? To a large extent this is a problem which historians of good will can themselves answer. The historian should appreciate that businessmen are busy and that historical inquiries are frequently of marginal interest to them. He should also realize that intelligent forethought can speed the accomplishment of his own task while securing the intelligent cooperation which businessmen can give. A suitable set of ground rules for the historian might be:

1) Familiarize yourself with the particular business and its problems before you make a formal request for help.

2) Try as far as possible to frame specific questions in advance.

3) Consider most carefully the types of material which you think may help you. Take pains to explain your problems to the business concerned.

4) Discuss the results as well as the processes of research with the subject firm — you (and the businessman) may learn much.

A comparable set of ground rules for the businessman might be:

1) Meet inquiries in as tolerant and flexible a spirit as possible.

2) For your own good as well as the historian's, take steps to determine what records you do possess.

3) Have a policy on access to records which accepts business history as a legitimate and worthwhile area of research.

4) Discover what the historian wants specifically and why.

5) In granting a request for access, remember that a balanced account is worth more than an extended paean of praise, and attempt to keep restrictions on the qualified historian to a minimum.

6) If in doubt as to a researcher's competence, call on established historians as guides and mentors, while reserving the final decision to a company officer.

7) In refusing a request from a competent researcher, give specific reasons to prevent misunderstanding.

8) If you don't need the records, and are convinced of the value of business history, consider the possibility of donating them to a university or other institution.

As things stand at present the businessman generally grants access to archives on a loose *ad hoc* basis, a policy which sometimes results in inexplicable barriers and in unwarranted resentment by researchers. How to help the businessman without compromising his right to control his own records is a problem for historians. How to help the historian without injuring themselves is a problem for businessmen.

It is time that business historians' "shop talk" was shared more fully with the main object of their interest — the businessman. And it is time for the businessman to assess his position with respect to these analysts of his behavior and performance. Our contribution, if any, has been to raise some of the questions and to suggest some of the approaches that bear on this relationship. We invite and encourage both groups to contribute their ideas with a view to future publication in this space.

• • •

MARKETING HISTORY AND ECONOMIC DEVELOPMENT

A Report and Commentary on Two Recent Conferences Concerning the Need for a History of Marketing in the United States

KENNETH H. MYERS, JR.
Professor of Production Management at Northwestern University

ORANGE A. SMALLEY
Associate Professor of Marketing at Loyola University, Chicago

THE SCHOLAR AS CATALYST

During the summer of 1958 Professor Arthur H. Cole undertook to organize more precisely ideas he had long entertained regarding that impressive and restless force which is American marketing. While in some ways the effort proved fruitful, in others the results were frustrating. Particularly vexing was the attempt to establish growth and behavioral hypotheses. Was, for example, the development of the marketing system in the United States a function of general economic growth, and thus fully explainable by the familiar economic determinants? Or, was marketing itself among the fundamental agents of American economic growth? If the latter, what had brought about the system of marketing particular to the United States? Did there exist any body of theory regarding the course of marketing development? If so, where? Who might know more about this, and would they be as interested in the subject?

To explore these questions further, Professor Cole proposed a "Conference on the History of Marketing in the United States," to which were invited a small group of men whose general interest was known to him.[1] The task he assigned to himself, explained Professor Cole, was to gather the group and, by raising provocative questions in advance of the meeting, to bring about an "enforced conceptualization" which might lead to a systematized program of analysis and research. This role, he insisted, precluded his participation in anything beyond the formative stages of a study of marketing. The operational phases were, in his opinion, more properly the responsibility of younger scholars. This, then, was the starting point of the two conferences, the results of which, as seen through the eyes of the authors, are reported and commented upon in this article.

[1] The meeting took place at the University of Toronto on Sept. 14, 1958, following the eighteenth annual meeting of the Economic History Association. The participants included: Thomas C. Cochran of Pennsylvania, W. T. Easterbrook of Toronto, F. C. Fowke of Saskatchewan, Andrew B. Jack of M.I.T., Kenneth H. Myers, Jr. and Harold F. Williamson of Northwestern, Fritz L. Redlich of Harvard, John E. Sawyer of Yale, George R. Taylor of Amherst, Orange A. Smalley of Loyola (Chicago), and Hugh G. J. Aitken of University of California at Riverside. Edwin C. Greif, Vermont, was invited as a representative of the American Marketing Association.

The Toronto Meeting

When the group of economists and economic historians met at Toronto to consider the role of marketing in economic development in the United States, it was their hope that the seminar would lead to the formulation of hypotheses concerning marketing in the United States which could be tested by a systematized program of analysis and research, and that substantive investigations concerning the course of marketing evolution would result. Substantial agreement was reached on the following points:

> Attention should be centered on basic functional aspects of marketing by business firms. These would include policy and practice with respect to choice of product, pricing, promotion, and channels of distribution.
>
> Attention should be focused on the locus of initiative within firms and industries for these basic marketing decisions.
>
> Careful note should be made of imperfections in the marketing process together with their causes and implications.
>
> This approach should be tested on families of commodities, these to be defined as groups of products having parallel modes of distribution to nearly homogeneous groups of consumers.
>
> Correlation between changes in marketing functions and changes in technology (particularly in communications and transportation) should be explored, causal relationships ascertained, and the results appraised in terms of contribution to economic growth.

It was agreed that a particular effort should be made to identify and study the creative contributions of marketing in stimulating economic development and in influencing the selection of social goals. Conferees were also agreed that, following such investigation, attention should be directed to aspects of marketing where social and economic impact has been the subject of considerable controversy: specifically, the dramatic expansion of consumer credit, the rise of "forced obsolescence," a continuously expanding rate of induced consumption as a social goal, and the increased portion of national income devoted to marketing activity.

The approach to a study of marketing so outlined, however, stressed historical investigation in the United States itself. The importance of such a study would be enhanced if it were broadened to include more than one economy. This is indicated by the following factors:

> Until but recently in the history of human affairs the United States was itself an underdeveloped area, dependent primarily upon an agricultural and extractive base. A theory of the role of marketing in the economic development of the United States would be pertinent to programs of assistance to countries still "underdeveloped."
>
> The evolutionary course of the European Common Market, which is almost certain to have dramatic consequences for both Europe and the Americas, might be more accurately predicted if the development of marketing in this country were better understood.
>
> A theory of marketing evolution would be of assistance in charting the probable future course of the United States economy, particularly the ef-

fect of the growing role of government and of the age of material abundance (the threshold of which the United States appears already to have crossed).

The threat to our society which some critics profess to see in recent sales promotion themes and "synthesized demand" might be better appraised in light of a serious examination of marketing evolution.

Any substantial achievement of the foregoing aims would have strong implications for American overseas economic and political policy.

In respect to implementation, it was the consensus of the Toronto group that students in fields of interest other than history and economics should be included in any major research effort. Hypotheses derived from scholars in the behavioral sciences, marketing, and business could contribute significantly to the development of a body of research objectives and, it was hoped, rally support for this type of investigation.

The authors, Myers and Smalley, agreed to summarize the conclusions reached at the Toronto meeting, and to continue the work thus begun. This was the stimulus which led to the interdisciplinary meeting of December, 1958, results of which are described below.

Marketing Evolution and Implication — An Interdisciplinary Panel Session Held under the Auspices of the American Marketing Association

In cooperation with the American Marketing Association a special-interest panel with the authors as co-chairmen met in Chicago in December, 1958, to explore these and other ideas. The group included an anthropologist, a business consultant, an economic historian, and several university professors of faculties in marketing, industrial management, geography, and business history.[2]

Pursuing a variety of themes in undirected discussion, the panelists raised questions of a provocative nature and suggested approaches in obtaining information which might provide answers to these questions. In general, the panel agreed with the Toronto Conference on the History of Marketing in respect to the need for comparative marketing studies, historical research in marketing in the United States, and the organization of a research center which would encourage, guide, and financially assist systematic study of these subjects. Specifically, the panel explored the following problems, indicating the need for intensive examination in each by qualified scholars:

In respect to foreign assistance programs and overseas economic policy of the United States, can improvements, particularly in underdeveloped areas, in a given pattern of marketing attitudes and techniques achieve greater results in improving productivity and living standards than direct improve-

[2] Dr. Burleigh Gardner, Social Research, Inc. (Social Anthropologist)
Dr. Charles Slater, Arthur D. Little, Inc. (Economist and Business Consultant)
Professor Harold F. Williamson, Northwestern University (Economics)
Professor Orange A. Smalley, Loyola University (Marketing)
Professor Ralph Westfall, Northwestern University (Marketing)
Professor Kenneth H. Myers, Jr., Northwestern University (Production Management)
Professor Edward Taaffe, Northwestern University (Geography)

ment in means and methods of production, and at the same time enhance personal liberty and human dignity?

What has been the role of marketing attitudes and techniques in stimulating economic development in relatively advanced countries? Where has the locus of marketing initiative resided, and what have been the effects upon economic development of this initiative over time? Have marketing attitudes and techniques been dependent or independent variables in economic development?

What contribution can the dynamics of marketing behavior make to the modification of a given social order if it is deemed advisable to alter existing social patterns so as to increase total product while simultaneously furthering individual liberty and dignity? Can such a change be achieved more readily and more orderly by changes in marketing attitudes and techniques than by aid which is focused on productive facilities and techniques?

Can attention to the role of marketing assist us to understand more clearly and predict more accurately when a given society is ready for change and what type of change — economic, political, and social — it is prepared to accept? Can an examination of the American past — specifically a history of marketing — provide clues of this type? Would such a history be useful in suggesting ways of bypassing certain stages in development and thus accelerate progress in underdeveloped areas?

Should the Emphasis of American Overseas Assistance Policy be Shifted from Direct Production Aid to Marketing and Distributional Aid?

American overseas programs of economic assistance have been geared to the objectives of American foreign policy, i.e., to enable independent nations to resist direct Communist aggression, and to help them improve their own economies so that appeals of Communists would fall on inhospitable ground. The minimum expectation has been that such technical and direct economic assistance would keep underdeveloped countries in Africa and Asia out of the Communist orbit; the maximum, that they would become enthusiastic partners in an international society whose emphasis would be to enhance personal freedom and the type of economic organization that would follow from such liberty. Most nonmilitary economic and technical aid took the form of direct contributions to improving production, and these were principally focused on industrial and agricultural productive techniques and organization, in short, to measures which would raise per capita productivity and, inferentially, gross output of the beneficiary country. But, whereas in the more economically advanced nations, particularly in Western Europe, such efforts produced beneficial results, the experience in the underdeveloped countries has been less happy. Not only have countries which had previously made some progress along democratic lines shifted toward authoritarianism (Sudan, Burma, and Pakistan), but others which were on the fence have demonstrated a high degree of sympathy with Communist methods of organizing resources (Indonesia). In addition, the developments in China within the last two years as a result of the adoption of the commune

system pose a menacing example. If China by such methods — regardless of their abhorrence to the West — succeeds in raising productivity and the gross national product, the appeal to the rest of the underdeveloped world may become overwhelming. The implications for the free world of such a possibility are not pleasant to contemplate.

Members of the panel indicated that perhaps the United States has been misdirecting the emphasis of its economic assistance to these countries. Professor Westfall, who has studied marketing organization in India, thought that while direct production assistance was necessary in that country, "they have an even greater need for further assistance in the development of their system of marketing, because they do not now market effectively the things they make." He cited two examples to illustrate his point, one of a lock manufacturer, the other a village hardware retailer. The lock manufacturer's regard for the situation was one of, "if you bring in some more orders I will be delighted to produce more locks." He produced no more than called for by orders from customers of long standing "although nothing prohibited him from seeking out new customers." The hardware retailer's operation, according to Westfall, did not exceed a few thousands dollars of yearly volume. Located on a railroad line about seventy miles from Bombay, he or his son made at least four visits weekly to purchase from wholesalers merchandise ordered by his own customers, and to bring the goods back to his shop. This highly inefficient use of human resources has depressing effects upon productivity and living standards, Westfall continued, and it was his opinion that,

> We may have some contributions from American marketing that are particularly useful to others in situations of this kind. At the same time I feel that it is much more complicated, a more difficult thing, to transpose a marketing system than it is a production system. You can build machinery that will operate in the same way in India as in the United States; Americans can go overseas to set up the equipment or build the factories. The equivalent certainly cannot be done with a whole marketing system because of fundamental differences in culture and social structure. Yet we do have methods, promotional concepts, and distributive apparatus which, if introduced with the proper tact and timing, could be highly useful, and which could be integrated with current practices in these areas so as to develop marketing systems more effective than those now being used.

Two important questions were raised by Westfall's suggestion. The first concerned the type of contributions which American marketing might make; the second concerned the factor of "correct timing" of the introduction. Several ideas were also advanced with respect to basic prerequisites, the most important being that improvements in the Indian transportation and communication facilities were necessary so as to provide the vehicles for aggressive demand creation and satisfaction. Westfall noted that the present Indian government was concerned with accelerating the transition from a barter economy to a money economy over a large part of the subcontinent, and suggested that this transition could be further stimulated by encouraging people to want more material goods which could be acquired only by a money purchase. If successful, this

effort would stimulate them to enter occupations in which money incomes could be earned. This, in turn, would provide at least some of the incentives for accepting industrial discipline and for producing things which could be sold for money. The net result would be a voluntary shift of human and material resources toward occupations in which their marginal productivity was significantly higher.

Dr. Gardner observed that several factors were at work in the underdeveloped regions to which careful attention must be paid. First, the cultural pattern; second, the stage of development. Westfall's examples permitted, he argued, overeasy generalizations that "this kind of behavior from our cultural point of view is inefficient. The first question an anthropologist would ask, with respect to the village retailer, would be "what caused him to go to Bombay?" Such practice may be only partly attributable to economic consideration. It was probable that the frequent journeys were part of the shopkeeper's social pattern from which "he derives real pleasure." Among the principal difficulties to be encountered in introducing American methods to these environments is "that they run counter to the behavioral and cultural patterns."

Gardner also suggested that "the stage of economic development and the degree of willingness to accept a given change" were pitfalls which often trap the unwary. In American history there were countless examples of merchants, wholesalers, and manufacturers who made little effort to sell:

> To go back into the past of New England woolen mills. I recall the son of a mill owner harking back to the "good old days" when his father ran the mill. Then they produced blue serge which they shipped to a New York suit manufacturer. The factory absorbed a certain number of thousands of yards of blue serge every year, and if it wasn't converted into suits this year it would be the following year. Neither mill nor converter had to worry about selling; the serge cloth was as good as money in the bank, so it was a simple production problem which had to be solved, not a series of marketing, planning, design, and style problems as it is now.

One of the difficult questions, therefore, was

> At what point does the change in point of view occur? When and how is the individual motivated to shift from a posture of waiting for orders to come in, to one of going out to sell aggressively?

American agricultural experience would be valuable, Gardner continued, because of the determined resistance to change of American farmers and their peasant counterparts who comprise such a high proportion of the population of underdeveloped areas:

> We are now getting a generation of farmers in the United States who are reaching out for change; it is my opinion that this is the reason why we are enjoying such a rising rate of agricultural production. For years farmers have known how to farm better, but now they are actually putting the knowhow and technology into practice. How do we explain this breakthrough? I think we can find many cases in the United States to illustrate this point. When, even to a limited extent, we can develop hypotheses

of how these factors work and why, we can apply them to different stages of development elsewhere.

Professor Williamson suggested that one of the explanations of breakthrough was a process of emulation in the use of a product introduced from outside the culture. In doing the research for the history of the American petroleum industry, he explained, one of his staff had examined consular reports from China describing how the use of kerosene for illumination spread in that country. First introduced by wealthy English merchants in coastal trading cities, kerosene was used initially in private homes, then in business offices. Chinese merchants in these cities imitated the English example, and as other Chinese visited these offices they were attracted to kerosene as an illuminant and learned that it could be easily obtained. Adoption thus spread rapidly to the interior of China as visiting business people brought kerosene back with them. Then came the introduction of cheap lamps locally produced, and use of the product gained momentum. Other studies, Williamson continued, including one of the growth of the middle class during the industrial revolution in England, emphasized the same process.

Marketing, Motivation, and Social Change

Is it possible to increase the consumption of goods of new types and classes in the underdeveloped countries in such a way that a self-generating process of economic development will be accelerated? If "yes," by what means? What men or institutions are best qualified to undertake the task? Which products are the populations ready for? Is it necessary, in fact, to disrupt the fabric of an existing social order before such change can be introduced? These were the questions to which the panel next addressed itself.

The spread of Western-made goods over the face of the earth proceeds at a remarkably rapid, though uneven, pace. The degree of acceptability of certain products, methods, and ideas is astonishing. Members of the panel pointed out that cigarettes are smoked in practically all places in the world; that Coca Cola is consumed as avidly in India or South Africa as in the United States; that commercial television, American model, has successfully penetrated English broadcasting despite the consensus of "informed" English opinion that Englishmen would not tolerate it. Dr. Gardner also noted a change which is strongly affecting English retail distribution:

I recently attended a luncheon in England which was addressed by a prominent authority on English distribution. He insisted that the 169 supermarkets then existing in Britain marked the saturation point for such institutions. When asked why, he replied that English women did not like to shop in them. Another member of this group, a much younger man, later took me aside and urged me to disregard this estimate. He argued that there were a lot of small shopkeepers who were just beginning to feel their way through this matter. Further, when the speaker generalized that English housewives would not patronize supermarkets, he had completely ignored the fact that English retailers were converting to self-service in in-

creasing numbers. These were conventional-sized stores, to be sure, but if the trend was toward self-service did this not strongly imply supermarkets as the logical development?

English distribution, Dr. Gardner predicted, was on the verge of a revolution, but "top British management, all older men and dyed-in-the-wool traditionalists, continue to decree what English housewives will accept. All these, mind you, are the same individuals who predicted that Englishmen would reject American-style television." The traditional decision-makers, Gardner continued, hold firmly to these convictions until some "wildman" comes along with an entirely different conception of what English housewives are ready for, puts his ideas into operation, and "gets rich right under their noses."

Dr. Smalley observed that students of economic development have been concerned with changes in social and political structure, resource availability, population, geography, capital formation, and investment. "These must be examined and accounted for, of course, but they really do not provide answers to the types of questions suggested by Gardner and others at the onset of this portion of the discussion." Dr. Myers thought that probably any society was prepared for *some* improvement in marketing attitudes and techniques at *any* point in time; that it was a question of discovering *which* improvement.

We probably do not want to attempt the introduction of supermarkets in present-day India, although England and perhaps other countries are ready for such a change. What is it that India, to take just one example, is ready for now? What can we offer that will take hold?

Suggestions by panelists included the introduction of village radio or television, the establishment of mail-order systems with catalogue shopping centers in villages throughout the land, the construction of low-cost display and distribution centers in larger population areas where changing arrays of new goods and products could be shown. Such devices, several members of the panel agreed, might be highly useful, depending upon the degree to which a given social structure was being modified.

Professor Westfall said that the contemporary Indian village had the same character as had been attributed to it a thousand years ago. In most instances villagers still till the land in common and divide the fruits of their labors in a manner dictated by tradition and need, rather than in accordance with the efforts or contributions of particular members of the group. Essential services such as metal-working and pottery-making are performed by certain individuals whose reward is a share of the communal crop. Village surpluses are more often bartered than sold for cash. Thus, if a shift is attempted toward a money economy, the entire underlying social fabric is torn. On the other hand, the present system is not conducive to the assimilation of better techniques of production or greater personal effort. The system provides little incentive for any individual villager to increase productivity since his final share in the increase is so minute.

Dr. Gardner agreed with the foregoing, observing that no clear pattern existed as to the kinds of breakup which lead to increased productivity;

many primitive cultures "just break up and go to hell." Many colonial governments in Africa, for example, experienced serious difficulties when they sought to introduce a money economy. One strategem was the imposition of a window tax on every hut, payable only in money. This forced males to seek work in the mines, and from this a whole "cluster of things followed." Although a shift to a money economy was forced to a limited degree by this device, there frequently was no real corresponding shift in motivation and many males worked only enough to earn the amount of the tax.

What — or who — could fill the role of catalyst in stimulating an increase in demand in a society such as India's? What, exactly, was the type of modification of an existing social structure which would increase the fertility of the social ground upon which the seed of consumption — desire and personal ambition — would fall? One participant suggested that, using Gardner's example, a class of people was needed to assume the role of innovator; a class whose members "did not have to give up too much of their own culture pattern to take advantage of new technology or organizational modes." Dr. Smalley suspected that "if we could locate some of Gardner's 'wildmen' — hungry young entrepreneurs — and determine in what particular periods and in what atmospheres there is a readiness to respond positively to the stimulus of more material goods, to opportunities to gain wealth and power, then perhaps we can offer some highly effective competition in the war of ideologies." Dr. Gardner cautioned against confusing "shrewd businessmen" of the traditional type with innovators. "Chinese merchants," he observed, "are shrewd businessmen, but by-and-large they are not going to change a culture . . . they are just making a dollar." What is needed is "this group of entrepreneurs who will act as the transmission agents of innovation."

While no clear identification of this entrepreneurial group was agreed upon, it was generally conceded that a study of marketing attitudes and techniques was one of the most promising avenues for exploration of indicators of readiness for change.

Where the position of a study of American marketing history fits in

Professor Taaffe was particularly concerned with the problem of narrowing the definition of the study sufficiently to permit the development of meaningful hypotheses that could be scientifically tested. What useful criteria, he asked, could be developed which could indicate what innovations were most appropriate to particular societies? The study of a single advanced marketing culture and the role which marketing has played in its economic development would yield patterns of change in marketing attitudes and techniques which might lead to useful generalizations. The panel was in favor of choosing the United States as the area for marketing history studies. Dr. Slater believed that addressing the questions suggested by the panel to the American experience should provide some significant contributions to an understanding of the role of marketing on the international level. Discovering what pattern of emphasis existed over time with respect to different families of commodities and different industries could suggest a variety of useful hypotheses for application to underdevel-

oped regions. The whole matter of the locus of marketing initiative, Slater continued, as suggested by Professor Myers, could be thoroughly examined. Had the American experience during its early industrial period been similar to that of present-day India? Historical studies already available indicated that United States marketers were not originally consumer-oriented. When did the attitudes change, and why?

Professor Westfall, in this context, developed a point which Dr. Myers had earlier posed to the group, that is, the role of communications in economic change. One of the reasons for the long persistence of non-aggressive marketing in the United States, he believed, was the great space-communication problems in the American environment. During the time when import and manufacturing was concentrated on the Atlantic coast, no financial reporting services existed which could provide eastern businessmen with good data on the character and business skill of western buyers. Thus, any open-account sale to such buyers involved considerable risk. The general practice was to rely on the patronage of business firms which came to the seller, and which either paid cash or provided satisfactory credit information. Gardner suggested that aggressive marketing is also a function of the capacity of the productive facilities and the distance between the producer and his customers. He said:

> If you operate a sizeable factory, you must rely on distant customers. You cannot rely upon the demand of those who come knocking at your door; this will not usually produce the volume necessary to permit full utilization of productive capacity. But reliance upon distant buyers places you at the mercy of the existing marketing system unless you undertake the initiative yourself. I think that what we have been witnessing is an increasing initiative being taken by producers to insure consumption of their products, as a function of increasing size of productive operations.

The problem of India, Gardner continued, was quite possibly typical of very small-scale enterprise. Professor Myers, however, argued that possibly the real productive capacity of the individual manufacturer, in such countries as India, was much greater than that utilized. The American experience inferred that something similar had also been true here. The intriguing aspect of this possibility, Myers continued, in both the American and the underdeveloped areas cases, "is that what really seems to count in industrial growth is not technical knowhow, but rather business attitudes and systems of communication and transportation assuming the same basic resources. These are the catalysts." He also pointed out that efforts to help underdeveloped countries might be mainly in the wrong direction: "Almost certainly the Indian lock manufacturer has the plant and equipment, and could easily obtain the labor and materials, to produce five times the number of locks he now produces." A 1956 study of productivity in Japan, Myers stated, indicated that the average Japanese factory was operating at only 20 per cent of the efficiency which was then being obtained in the United States with comparable facilities. Lack of equipment or technical knowhow were not the main Japanese problems, according to the United States investigator. Rather, they were lack of knowledge of marketing techniques and general nonaggressiveness in

marketing matters, inadequate cost information, and a lack of concern about the productivity of *individual* workers and machines.[8]

If, said Dr. Gardner, strongly endorsing this idea, a Sears, Roebuck contracted with the lock manufacturer to provide all the locks he could produce, there would be a case of energizing the productive facilities and knowhow which are latently present in the culture. "During World War II," Gardner declared,

> we made more advances in production and technology than ever before. Why? Because, in effect, the engineers were turned loose with instructions to forget costs and get the job done. It was the heyday of the scientist and engineer; they didn't have to worry about the restrictions and concern with whether something could be sold or not. As a result we accomplished objectives we never dreamed attainable. We jumped ahead in proficiency under the impetus of that driving demand to supply an insatiable appetite for goods. When you return to a market economy this slows you down; you have to consider how you can sell the stuff before you can begin to make it. But with a standardized, insatiable demand, technology leaps ahead.

The study of the American experience could be instrumental in permitting examination of the kinds of conditions, institutions, and circumstances which provided this demand. Dr. Slater recommended the orderly study of the marketing structure, techniques, and attitudes of different industries in the American scene in the expectation that they would provide a series of microcosms from which something highly valuable could be gleaned. Particular industries might be similar to total economies in their characteristics, and broad generalizations might result from their study. Perhaps even a series of checklists could be developed to indicate when certain industries or economies were "ready" for particular innovations or changes. "It might not be a bad idea," he added, "to examine some of the more pedestrian changes that have occurred here to see what relationships can be isolated."

There were, interjected Professor Williamson, reasons for a history of American marketing other than those suggested as hypotheses for comparative studies. Much of his own research, he went on, had been in company and industry histories, and

> every time we — I include my co-authors here — have come up to the question of the history of marketing we find ourselves confronted with a blank wall. I encountered this in the carpet study, in the capital goods field, and now in petroleum. Except for an isolated case like life insurance, it is an almost untouched field, and completely frustrating. The little work that has been done is mostly superficial. We don't know what actually happened between the colonial period — which has been well documented — and the Twentieth Century. I see a study of the kind we are discussing here as a two-way proposition. By this I mean that we should explore some of these questions which have been suggested and develop some hypotheses, at least on what we do know. This is where the most sophisticated marketing

[8] W. S. Landes, *Survey of Japanese Industrial Productivity* (U.S. Overseas Mission/Japan, TOICA: A-183, January 1, 1956).

theory should be vital, to come in and raise the kinds of questions that are both relevant and important. Here is where a group representing the various disciplines should be the most helpful.

What Types of Marketing Studies are Necessary, and How Should They Be Organized?

The panel was in fundamental agreement with respect to the contributions to an understanding of the role of marketing in the United States and the world which might result from organized research. Agreement was also general with respect to the dimensions of the research needed. The most fruitful approach should include investigation of the American development and the role of marketing in American economic growth, as well as current inquiries on a comparative basis. Countries to be studied would not be limited to underdeveloped areas, but would include industrialized states as well. Further, the fruits of the research and analysis should be useful in appraising foreign aid and foreign economic policies of the United States. But how could such a program be organized? How could scholars and research men be made familiar with its nature and intent? How could it be financed?

Professors Myers and Smalley explained some of the ideas which had been discussed at the Toronto meeting, and suggestions which they had subsequently formalized:

> We thought of the locus of marketing initiative at various points over time and in various commodity lines as being a useful jumping off place for a quantitative study. For example, presumably the locus of initiative is the point of the greatest marketing cost. There is considerable indication that this is true, and, if so, we will be able to identify that point and to consider its causes and implications. This, then, is a reasonable, tangible, type of investigation, applicable not alone to American society.

Myers then elaborated on this point:

> A study of the locus of marketing initiative has manv dimensions. Patterns of change can be observed over time within particular classes of commodities and explanations can be sought – the rise and decline of the full-line wholesaler of consumers' semidurables is a case in point. In addition, significant differences exist between classes of commodities at the present time. Finally, the same classes of commodities in different contemporary economic systems may differ significantly as to the locus of marketing initiative. Study of the reasons for and implications of these may provide a general theoretical framework which marketing as an intellectual discipline has heretofore lacked.

Professors Williamson, Smalley, and Myers then asked the group to consider a plan for organizing the research along the following lines:

1. Establishment of a *Center for Marketing Studies* on interdisciplinary lines. The Center should be located in a major university and enjoy the prestige and shelter of such an institution, but still be independent of its direct control. The purpose of the Center would be to focus and

facilitate the research efforts of scholars interested in furthering the understanding of the role of marketing in the United States, and its social, political, and economic implications both at home and abroad.

2. A director for the Center to be chosen by a university committee representing the various disciplines which would be interested in the proposed study, and which would be likely to contribute to it.
3. A seminar to be established at the Center and to be operated on a continuing basis. The seminar would provide a continuous panel of experts from various disciplines to hear, criticize, evaluate, and assist research proposals bearing on the purpose of the Center, and to stimulate inquiry by all appropriate means. The seminar would seek to include visiting authorities and scholars from the United States and abroad, and to act as a world-wide forum for scholars studying the role of marketing in various economies.
4. Direct financial assistance for the Center would be solicited from (a) business organizations and associations, (b) independent foundations, and (c) government. The funds would be used to underwrite the continuing seminar and such projects and tasks as might be authorized by the governing committee.
5. The Center would finance, as its first project, the core type of research identified by Myers and Smalley on a direct program basis. Financial assistance to forward other projects consistent with the basic purposes of the Center would be made as resources became available.

There were at least two historical precedents for the type of research center proposed. The African Studies Program at Northwestern University is an interdisciplinary effort which combines linguistics, anthropology, sociology, political science, and history. A seminar operates as part of the African program, and men prominent in one or another of the described fields have been invited to participate in it. Occasionally these men have been asked to spend from three months to a year at the university. Graduate students from all the fields indicated have been members of the seminar, and many have been stimulated to undertake work relating to Africa.

A second prototype, slightly different in organization, was the Entrepreneurial Research Center at Harvard University. In this case a Rockefeller Foundation grant provided the financial endowment. The Entrepreneurial Center brought together various people interested in the role of the entrepreneur. It located graduate students interested in the problems which emerged as a result of the Center's exploration of ideas; it published a journal which stimulated the writing of a number of valuable and provocative articles; it produced perhaps half-a-dozen significant monographs; and, as an over-all result, encouraged and aided about fifteen effective and influential young men to carry on the purposes of the center through their individual teaching and research.

Professor Williamson explained that the African program is geared to Northwestern University's program of cultural studies.

> It is devoted to encouraging graduate students rather than postdoctoral fellows, although there is some money available for faculty research. By contrast, what we have in mind for the *Center for Marketing Studies* is a

strong emphasis upon postdoctoral participation — so as to encourage the fresh Ph.D. to get into an area of research that could result in his first publication, perhaps his first book. The research grants would by no means be considered the exclusive province of the personnel of the sponsoring university, but would be extended on an objective basis to faculties of all universities.

The proposal appealed to all participants, and perhaps Dr. Gardner expressed a common point of view when he declared:

> If you want to sell a grand plan with a lot of very practical applications sticking out here and there, I think you are on the right track. One of the difficulties of trying to get money to finance projects like the one proposed here is the tendency to talk too much in terms of little specifics. When the University of Chicago wanted to raise money for its physics center, it dreamed a grand dream, drew up a proposal which required a lot of money to execute, and then went out and found that the financing was obtainable with surprising ease. I think something like that could be true in this case.

The meeting concluded with the consensus that the proposed Center and the related plan would constitute a highly significant forward step in the evolution of marketing as a field of knowledge, and one which held promise of far-reaching economic, political, and social benefits.

Summary and Conclusions

During the past fifteen years the United States has provided great assistance to the peoples of the underdeveloped areas of the world, and to the more advanced societies as well, by means which also have been applied with considerable success by the Soviet Union wherever it has decided to concentrate its more limited resources. This assistance has been largely of a type which affects productivity directly through the export of machinery, operating techniques and controls, and other elements concerning production. There is reason to question seriously the appropriateness of such forms of assistance, however, and to consider instead an aspect of United States' culture which has been outstandingly successful. This is the system of coordinating economic activity through the interplay of free and autonomous market forces. The result of this system for the United States has been a high and rising standard of living, steadily improving human productivity, and a degree of individual freedom unapproached by societies organized on authoritarian lines. The authors believe that in the foreign aid programs to date there has been too great a tendency to overlook the strong connection between a dynamic marketing system and improved human productivity.

The correlation between individual liberty in the political sense, consumer sovereignty in the economic sense, and the acceleration in material well-being that has occurred in the United States suggests that the marketing system we have developed has been a fundamental stimulus of productive efficiency and of the attainment of a lofty scale of material well-being.

Such a hypothesis suggests the further assumption that even in the

more primitive economies there is much latent capacity for production. What is lacking is adequate incentive to make efficient use of this latent power, the type of incentive, in fact, that a marketing system similar to that developed in the United States could provide.

What is now necessary, the authors believe, is the establishment of means for studying these hypotheses, with the proposed initial project to lead to the inauguration of a Center for Marketing Studies. This Center would be responsible for undertaking systematic inquiry — historical and comparative — into the role of marketing in stimulating social and economic development.

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BUSINESS ETHICS IN NORWAY

Under the Rise of Industrialism, 1880–1950

JOHS. LUNDE
Rector
at The Bergen School of Retailing
Bergen, Norway

Although the concept *commercial morality* is a focus of the debate waged today on the subject of social and industrial policy, the theoretical investigation of commercial conduct and the formulation of commercial principles, *business ethics*, have been neglected, both as a field of research and as a subject for instruction.

One of the chief reasons for this neglect is the difficulty of determining the *standards of values* on which business ethics should be based. In Norway the traditional Christian and bourgeois way of life of bygone days was supplanted, in the 1870's, by the moral relativism introduced by the separate and combined influence of materialistic philosophy, classical liberalism, and Marxism.

The situation in the realm of the *philosophy of values* may be characterized by the paradox that we now more than ever recognize that values exist, but are less than ever able to imagine of what they consist. No logical deduction of standards can be made from recognition of facts. Given the present position of the philosophy of values, it would seem that the formulation of standards must, in principle, be referred to the intuitive and/or metaphysical plane.

The spontaneous recognition of basic ethical principles has, however, become easier during the last decades, partly as a result of the self-limitation of science, of the reshaping of liberalism along more social lines, and of the replacement of Marxism by a social-democratic ideology on a humanistic basis. The present generation has lived through experiences which have convinced many of the existence of absolute values. Ethical standards have proved to be a necessity in the fields of social ethics, jurisprudence, and democratic ideology. Intensive research has shown that the leading moral systems of the world — particularly of the West — are

tending, despite their diversity, towards a high degree of ethical universalism.[1]

Certain *simple, basic, ethical values* can be traced, in varying forms, through the Christian preaching, humanistic concepts, economic and politico-industrial debate, socialistic reorientation, social ethics, jurisprudence and democratic ideology of the Western world. With foundation in the triad of the ancients "Truth, Goodness, Beauty" and in the Norwegian poet Wergeland's "Freedom, Truth, Love" these basic values might be summarized as Truth, Justice, Freedom, and Solidarity.

Leading students of business ethics have supported Max Weber's assertion that as science cannot preach morals, business ethics must be strictly *descriptive*. By methodical description of the principles and practice of commercial morality an objective *research on business ethics* can be built up, research which may also be of indirect, but practical, importance as far as moral reconstruction is concerned.

Analyses of the material provided by commercial and industrial circles will, however, only reveal their own principles, and it is only natural that these will, in the last analysis, have an opportunist foundation: Good business practice will *pay* in the long run. Recognition of this fact will provide a realistic background for the campaign for better business practice, but will not invariably ensure sound commercial morality.

The "voluntary" moral reconstruction which commercial and trade circles carried out between about 1900 and 1915 was, however, a virtue of necessity. It was society, and the purchasing public, that forced the business world into this new course of action, working through legislature, expression of opinion, and purchasing reaction. So we see that we must not look to commerce and industry to find the source of the standards of business ethics, but to *society*, to the *consumers*.

If the basic principles of general ethics formulated above are applied to a material consisting of concrete cases involving business ethics, the following *proposed standards of business ethics* may be deduced:

A. Truth	**1. Honesty** **2. Integrity** **3. Confidence**
B. Justice (and freedom)	**4. Contribution (to Society)** **5. Fairness** **6. Moderation**
C. Solidarity	**7. Usefulness to Society** **8. Service** **9. Loyalty**

By comparison with the "Basic Rules of Advertising Practice" (International Chamber of Commerce), ethical codes, opinion polls, etc., the general standards proposed above can be defined and crystallized, thus forming more concrete *criteria of business ethics* on which practical investigations could be based.

The author has made an investigation of the type suggested above,

[1] Ruth N. Anshen, ed., *Moral Principles of Action* (New York, 1952).

using as material the Opinions of the Better Business Committee of the Oslo Mercantile Association and having the objective of throwing light upon practical commercial conduct and the conception of good business practice, in Norway, from the time industrialism established itself in this country until the 1950's (1880–1953). This so-called "Committee of Fifty" was established in 1878, its members being prominent businessmen from different lines of business, elected by the Annual General Meeting of the Oslo Mercantile Association. With the exception of the years of the German occupation, 1940–1945, the Committee has been in operation continually since its establishment. It is an advisory body, its method of work being laid down in detailed directives which have remained substantially unaltered throughout its existence. Within a short time of its establishment this institution won the confidence and respect of business and legal circles in the whole of Norway, and has exercised a considerable influence on the formation of general standards of business practice, and on the framing of commercial law.

Disputes are submitted to the Committee in the form of detailed statements of case, accompanied by the supporting evidence, and concluding with concrete questions. After the various subcommittees have made their recommendations, the Committee gives its opinion on the cases, in the form of answers, in the affirmative or negative, to the questions posed, often accompanied by briefly stated reservations or explanations. The whole material has been published in an exemplary manner; up to date four collections (about 1,800 pages of print) have been issued.

As material for an investigation of business ethics, the submitted statements provided cases for the determination of the moral standards of commercial conduct, whereas the findings express the opinion of the Committee as to what constitutes "good business practice." The cases cover all the links in the producer-consumer chain and all the usual forms of commercial dispute — contracts, claims, sales and advertising methods, competition, etc. The value of the investigation depends to a decisive degree on whether or not the material used gives a representative picture of the conflicts which actually exist in business life at any time. The number of cases dealt with by the institution, its continuity, and its dominating position in the field should insure that the material is truly representative. This is confirmed also by a comparison with the court records from corresponding periods. However, the material available for the period 1880–1900 is rather incomplete, so that the results for these years must be accepted with certain reservations.

Of a total of 1,350 cases, 566 representative cases have been analyzed. When the *conduct* in the cases was compared with the criteria drawn up, the reaction in 56.5 per cent of the cases proved to be ethically negative, 43.5 per cent ethically neutral. Table I shows the deviation pattern, the figures on the left corresponding to the proposed standards listed above.

From the standpoint of *moral judgment* the findings showed a positive reaction in 50.1 per cent of the cases, a negative reaction in 5.7 per cent of the cases, and a neutral reaction in 44.2 per cent of the cases.

Distribution according to *period of time* showed considerable variation in number of cases (Chart 1), but also reveals that the number of ethi-

TABLE I

Deviation Pattern

Ethical Criteria *	No. of Cases	As Per Cent of Analyzed Cases	Relative Importance
1. False, misleading	116	20.5	2
2. Dishonest	22	4.0	6
3. Breach of confidence	45	8.0	4
4. Failure to perform	37	6.5	5
5. Misuse of law or power, undue pressure	23	4.0	6
6. Unreasonable terms and demands	62	11.0	3
7. Antisocial conduct, etc.	12	2.0	8
8. Failure to give service	16	3.0	7
9. Disloyal conduct	162	29.0	1

* Criteria for the Assessment of Deviations from Accepted Standards of Commercial Morality.

[1] *False, misleading.* Cases in which one or both parties have apparently made fallacious or misleading statements or representations, or have failed to disclose information which would influence the other party's opinion of the matter in hand. Firm titles, trade-marks, etc., which can readily be confused with others, may be included in this category.

[2] *Dishonest.* Severe offenses and deviations not completely covered by any of the other criteria, such as fraud, forgery, etc.

[3] *Breach of confidence.* Breach or evasion of a written or unwritten contract, gentlemen's agreement, promise or understanding.

[4] *Failure to perform* (give value). Includes cases in which the seller's performance (or value given by the seller), whether material or intangible, does not correspond, in quality, amount, time of delivery, etc., to the agreed or customary standards, for reasons due to the seller's desire for profit, unreliability, or failure to give due consideration to the matter.

[5] *Misuse of the law, misuse of power, undue pressure.* The use or threatened use of legal provisions in order to achieve ends which are outside the spirit and intention of the relevant enactment. Taking advantage of the dependent position of the other party – resulting from credit status, monopoly, scarcity of goods, financial superiority, etc., in order to achieve advantages which the buyer would not, of his own free will, be interested in granting. Package sales, threats of reprisals.

[6] *Unreasonable terms and demands.* The distinction between "reasonable" and "unreasonable" allows considerable latitude for the exercise of subjectivity, but in practical business activities it is difficult to avoid the use of such evaluations. This fact has been unconditionally confirmed by the material at our disposal.

[7] *Antisocial conduct, or conduct detrimental to the interests of the consumer.* Commercial conduct which, on a long or short view, must be assumed to be detrimental to the interests of the consumer, or of society as a whole. This includes price rings, market-sharing agreements, and other restrictive agreements of which the primary purpose is that of maintaining a price monopoly, or preventing competitive products from gaining a footing on the market, etc. (This criterion is not applicable to price agreements made for protection against unsound competition, agreements which are considered to have a healthy effect on the market.)

[8] *Failure to give service.* Failure to fulfill normal service functions vis-à-vis the consumer, or other sections of trade and commerce.

[9] *Disloyal conduct* (or loyalty that is detrimental to the interests of the consumer or of society as a whole). Derogatory remarks concerning other tradesmen or their products, unfair conduct, disloyal sales or publicity methods, and use of packaging, slogans, firm titles, trade-marks, etc., which can readily be confused with others. This criterion does *not* apply to cases in which loyalty must be considered to be detrimental to the interests of society or of the consumer, e.g., accusations made in order to break out of price-rings, etc.

cally negative cases has not decreased to the same degree as the total number of cases (Chart 2). The distribution of ethical deviations according to period of time is shown in Table II.

The percentage ratio between ethically negative and neutral cases (S) and ethically positive, negative, and neutral findings (R) in the dif-

TABLE II

Distribution According to Period of Time

(Percentage of Analyzed Cases)

Criteria	1880–1900	1901–1914	1915–1919	1920–1929	1930–1939	1946–1953
1. False, misleading	11	16	16	15	31	31
2. Dishonest	11	2	4	3	2	4
3. Breach of confidence	9	15	9	8	4	3
4. Failure to perform	6	13	10	7	2	1
5. Misuse of law or power, undue pressure	3	5	3	4	2	7
6. Unreasonable terms and demands	6	13	19	15	7	4
7. Antisocial conduct, etc.	2	2	3	0	1	5
8. Failure to give service	0	4	4	5	1	2
9. Disloyal conduct	14	15	15	20	42	61

(The underscored figures show the peak in each category.)

ferent periods is shown in Chart 3. A comparison of the tendency of the individual deviations shows that the group due to gross "lack of integrity" (criteria 2, 3, 4, 6, 8) reached its peak in the period 1915–1919, whereas the number of deviations due to what might be called "dynamic sales policies" — unfair competition, misleading sales and publicity methods, etc. (criteria 1, 5, 7, 9) — has risen steeply since the 1930's (Chart 4).

A tentative *summing-up* of the results of the investigation shows that the moral crisis in Norwegian commerce and industry existed *before* the First World War, and that although this crisis reached its peak during the war we are not dealing with a war phenomenon. The crisis which reached Norway in this period was the crisis brought about by a *lack of confidence in industrial economic liberalism* and was largely overcome, in the decade 1920–1930, by the energetic work of the Mercantile Associations and Advertising Associations of the country.

Neither can the increase in deviations in the 1940's and 1950's (those due to dynamic sales policies) be directly attributed to the war, as this development had already started when the Second World War broke out. These deviations are particularly prominent in the manufacturer and retailer groups, and may perhaps be considered as a by-product of the emergence of intensified and rationalized sales methods on a larger and more industrialized market. This development has also presumably been influenced by the degree of specialization now prevalent, and the extent to which individual ethical responsibility has been rationalized out of existence in large industrial concerns.

That part of the material which bears the imprint of the increased government intervention and controls which followed the Second World War forms a strong reminder that commerce and industry must not be tempted to relax its own social principles now that the authorities have

become the guardian of the interests of the community and the consumer. Commerce and industry must still place itself on the side of the consumer in the economic life of the country.

Taken as a whole the investigation, which, however, was based on a selected material, shows that the *moral judgment* exercized in commercial matters in the leading circles of Norwegian commerce and industry is on a high plane, and has proved to be little affected by crises and ethical relativism. It provides a sound foundation on which future reconstruction may be based.

In addition to continued vigilance where commercial morality and good business practice are concerned, the time should now be ripe to commence some form of continuous research into business ethics, using this as a foundation on which to develop an objective information and training service to be used in commerce and industry, and in commercial education.

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CHART 1

NUMBER OF OPINIONS GIVEN ANNUALLY BY THE BETTER BUSINESS COMMITTEE OF THE OSLO MERCANTILE ASSOCIATION, 1880–1953

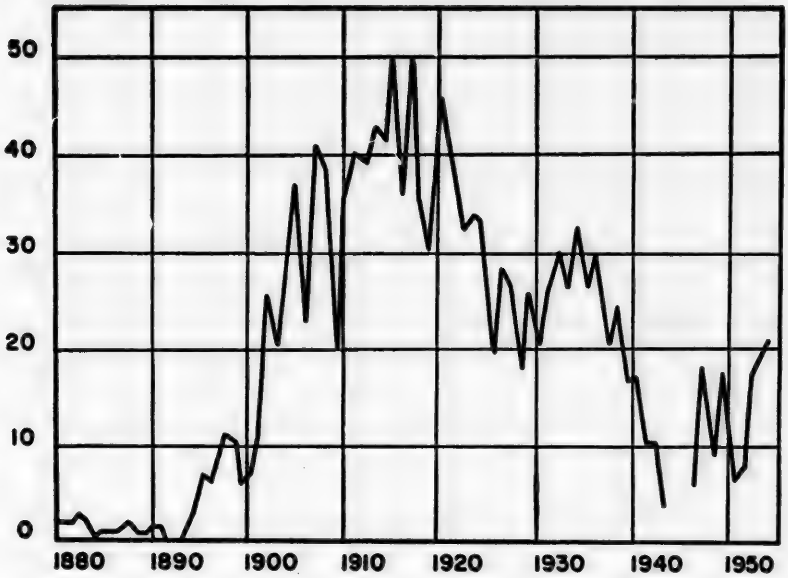

CHART 2

AVERAGE ANNUAL NUMBER OF CASES IN EACH PERIOD AND (SHADED) THE PERCENTAGE OF ETHICALLY NEGATIVE CASES

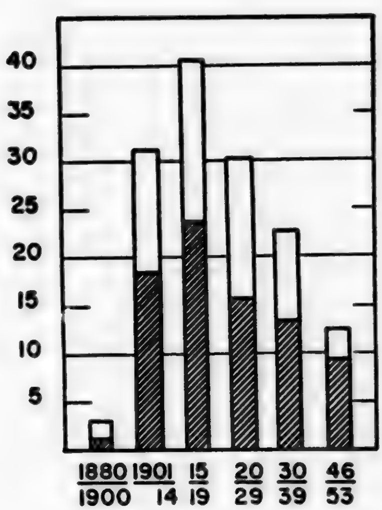

CHART 3

The Ratio between Ethically Negative and Ethically Neutral Cases (S) and Ethically Positive, Negative and Neutral Opinions (R) in the Different Periods. Vertical Shading, Positive; Diagonal Shading, Negative; White Sections, Neutral

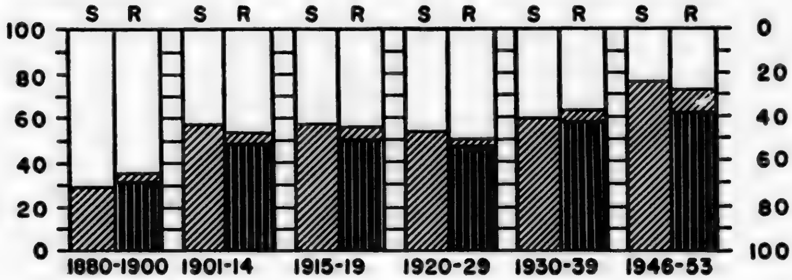

CHART 4

Number of Ethical Deviations Expressed as a Percentage of Analyzed Cases, Divided into Two Main Groups: "Lack of Integrity" (Criteria 2, 3, 4, 6, 8), Dotted Line; and "Dynamic Sales Policies" (Criteria 1, 5, 7, 9), Solid Line

COLONIAL NEWSPAPER ADVERTISING: A STEP TOWARD FREEDOM OF THE PRESS

STEVEN J. SHAW
Professor of Marketing at University of South Carolina

It is frequently said that the newspaper of today is printed on the backs of advertisements because the price the reader pays usually does not cover the printing cost and the publisher has to depend upon the sale of advertising space for his principal revenue. The partnership between journalism and advertising is so close today that the quality and quantity of editorial matter supplied to the reader depends upon the amount of advertising that can be sold.[1]

In the study of the historical development of journalism and advertising, it is interesting to note that the first daily established in the United States came, not because of a demand for fresh news but as a result of the pressure of advertising. The first newspapers were weeklies, and it was only when these weeklies could not handle the increasing volume of advertising that they were converted into semiweeklies. Then, as advertising volume grew still heavier, these publications were published triweekly, and finally on a daily basis.[2]

The history of newspaper advertising also reveals the remarkable fact that it was largely through the development of profitable advertising that editors in England and the United States were finally able to free themselves from the subsidy and control of governors and political parties.[3]

However, the development of newspaper advertising into a profitable undertaking came only after a long, determined struggle. The colonial printer-editors did not have to discover newspaper advertising, since English pioneers such as Houghton, Addison, and Defoe had already experimented and proved its effectiveness. But the colonial economy was largely agricultural and the few potential business advertisers were naturally skeptical of the untried medium and had to be won over gradually. The colonial printer-editors strove to overcome this skepticism by running stores on the side and advertising their own merchandise. Thus, by example, they demonstrated to commercial interests the value of advertising.[4]

Moreover, before advertising patronage could be built up substantially, the crude newspaper advertising technique borrowed from England had to be refined. Save for their headlines, the first advertisements were set up like regular reading matter and buried on the back page.[5]

The most formidable obstacle faced by the colonial editors was that of developing adequate circulation in order to make their papers effective carriers of advertising. This was difficult to accomplish since strict censorship was exercised over the early colonial newspapers. Frank publication

[1] George B. Hotchkiss, *An Outline of Advertising* (3d ed.; New York, 1950), p. 22.
[2] Frank Presbrey, *The History and Development of Advertising* (New York, 1929), p. 161.
[3] Times (London), *The History of the Times*, Vol. I., p. 20. Also, Alfred M. Lee, *The Daily Newspaper in America* (New York, 1937), p. 181.
[4] James M. Lee, *History of American Journalism* (Boston, 1923), p. 72.
[5] Alfred M. Lee, *The Daily Newspaper in America*, pp. 31–32.

of news events in the colonies meant almost certain imprisonment for the editor and suppression of his paper. To be on the safe side of authority an editor practically had to have his paper edited by the ruling governor.[6] A newspaper so edited was more an organ of official propaganda than an unbiased common carrier of news. To keep out of trouble with the authorities most of the early colonial editors followed the custom of reprinting news from leading English newspapers. Consequently, much of the editorial matter was stale and it was difficult for editors to build and maintain a circulation of several hundred paying subscribers.

This study covers the first 60 years of colonial journalism, a period roughly from 1690 to 1750. It was during this period that freedom of the press was fought for and won, and newspaper advertising was built up to the point where editors could begin to divorce themselves from dependence on political subsidy, postmasterships, job printing, and other revenues except copy sales. Specifically, this article gives a brief biographical sketch of eight early colonial newspapers, and evaluates the contributions of their editors to the development of advertising and free journalism. This development of advertising and of a free press must be studied together, as both are essential ingredients of a healthy newspaper.

Harris's Publick Occurrences

As in England, the forerunner of newspapers in colonial America was the newsletter. This letter was prepared either by a writer who wandered from one coffee house to another to pick up the news, or the postmaster who handled the few copies of newspapers which came from abroad, and who had contact with the captain and passengers of incoming ships. As soon as the requests for this paid letter service became too numerous to be handled by pen, the writer was forced to employ a printing press.[7]

The first such printed newsletter was *Publick Occurrences* published on September 25, 1690, by Benjamin Harris, a refugee who had fought unsuccessfully for a free press in England. Without fanfare or preliminary advertising, Harris came out suddenly with the first and only issue of his paper. *Publick Occurrences* was to be published once a month or oftener, depending upon the amount of news. From the standpoint of journalism it was an excellent conveyor of news, carrying a vivid account of a battle waged by Governor Winthrop with the French and Indians and of the barbarous treatment of French prisoners of war. It was this account that angered the authorities and caused the immediate suspension of the paper.[8]

What Benjamin Harris's intentions were with regard to advertising are not known. The lone issue contained no paid announcements, and his first-page statement of objectives carried no mention of advertising.[9] Even though *Publick Occurrences* contained no advertising, it is important because it challenged the authorities and began the fight for a free press in the colonies. Following its suppression, the governing council

[6] George H. Payne, *History of Journalism in the United States* (New York, 1926), p. 57.

[7] James M. Lee, *History of American Journalism*, p. 18.

[8] Payne, *op. cit.*, p. 21.

[9] Presbrey, *op. cit.*, p. 122.

quickly passed a resolution to the effect that any person or persons wishing to set forth anything in print must first obtain a license from the local authorities. This drastic action made it clear to other aspiring publishers that a free press would not be possible without a long and hard fight.

Campbell's Boston News-Letter

The quick suppression of *Publick Occurrences* and the passage of the licensing law discouraged the founding of a second newspaper until 1704, when John Campbell began the publication of *The Boston News-Letter*. Mindful of the fate of the first newsletter, Campbell was careful to publish his paper "by authority" and to print nothing that would offend the Council. For the most part, he followed the practice of reprinting material from back issues of *The London Flying Post* and *The London Gazette*. His coverage of local news was largely restricted to the recording of deaths and the announcement of sermons.[10]

Campbell was aware of the success that Houghton and other English publishers were having with newspaper advertising in England, and he was anxious to develop his *News-Letter* into a profitable advertising medium. On the back page of the very first issue he printed the following announcement: [11]

Advertisements

> **This News Letter is to be continued Weekly; and all Persons who have any Houses, Lands, Tenements, Farms, Ships, Vessels, Goods, Wares or Merchandizes, etc. to be Sold or Let, or Servant Run away; or Goods Stole or Lost; may have the same Inserted at a Reasonable Rate; from Twelve Pence to Five Shillings, and not to exceed:**

Campbell's bid for advertising was viewed with great interest by New York's earliest printer, William Bradford. To see for himself what response a newspaper advertisement would bring from a public not yet accustomed to it, he sent in the following real estate announcement, which appeared in the third weekly issue of *The Boston News-Letter*, and which is considered to be the first American newspaper advertisement.[12]

> **AT Oyſterbay on *Long-Iſland* in the Province of *N. York*, There is a very good Fulling-Mill, to be Let or Sold, as alſo a Plantation, having on it a large new Brick houſe, and another good houſe by it for a Kitchin, & work houſe, with a Barn, Stable, *&c.* a young Orchard, and 20 Acres clear Land. The Mill is to be Let with or without the Plantation: Enquire of Mr. *William Bradford* Printer in *N. York*, and know further.**

Slaves, runaway apprentices, lost articles, books and real estate were the most frequent subjects of advertisements in the early issues of *The*

[10] Payne, *op. cit.*, p. 26.
[11] Presbrey, *op. cit.*, p. 126.
[12] *Ibid.*, p. 126.

News-Letter. Of these, shocking as it might appear to the modern reader, slaves constituted a large percentage. In the seventeenth issue of Campbell's paper, the first American store advertisement appeared. It ran as follows: [13]

> **At Mr. John Miro Merchant, his Warehouse upon the Dock in Boston, There is to be Sold good Cordage of all Sizes, from a Spurn-yard to Cables of 13 inches, by Whole-sail or Retail.**

In colonial times a store was sometimes referred to as a "warehouse" since families were largely self-sufficient, growing and making their own products, with the exception of a few imported necessities which were frequently stored in a warehouse at the port of entry.

Now and then cloth merchants used *The News-Letter* to announce the arrival of new merchandise from England, and occasionally someone would advertise made-up frocks. But store advertising was a small part of a small total of advertising that appeared in *The News-Letter*.[14]

At the end of three years a total of five inches of advertising was a heavy run for *The News-Letter*, and some numbers appeared without a single advertisement. That Campbell had expected greater support from retail advertisers is evident from his petition to the governor for a subsidy. In this petition he complained "that the post office was paying him very little and that despite the fact that a number of merchants had promised to contribute to the support of his weekly *News-Letter*, he had not made anything by it." [15]

John Campbell's failure to obtain a greater volume of advertising was largely due to the scant circulation of his *News-Letter*. Even after fifteen years of publication its circulation was only 300 in a city with a population of about 10,000.[16] Ever conscious of the fate of *Publick Occurrences*, the editor played down local news, and his paper contained mostly stale reprints from London newspapers. Usually *The News-Letter* was from five to thirteen months behind with the news.[17]

Small wonder, then, that the public was reluctant to subscribe to *The News-Letter*, and that business people were reluctant to advertise in it. Rather than read dull accounts of past events in Europe, the populace preferred to continue the custom of getting news of events in the colonies through coffee house gossip and private newsletter.

Probably another reason for Campbell's failure to attract a larger volume of advertising was his lack of enterprise and ingenuity.[18] He did not try to devise ways of making each advertisement resultful. The publicized product was not illustrated, and the only display was the word "advertisements." Otherwise, all of *The News-Letter's* announcements were set up like regular reading matter and appeared inconspicuously on the back page.[19]

[13] *Ibid.*, p. 127.
[14] *Ibid.*, p. 129.
[15] Payne, *op. cit.*, p. 26.
[16] *Ibid.*, p. 27.
[17] Anna J. DeArmond, *Andrew Bradford Colonial Journalist* (Newark, Delaware, 1949), p. 51. See also, Payne, *op. cit.*, p. 27.
[18] Presbrey, *op. cit.*, p. 129.
[19] Elizabeth C. Cook, *Literary Influences in Colonial Newspapers 1704–1750* (New York, 1912), p. 8. See also, Presbrey, *op. cit.*, pp. 128–129.

Campbell's journalistic career suffered a severe blow when in 1719 he was replaced as postmaster by William Brooker. With the loss of the post office revenue, he found it extremely difficult to continue the publication of his *News-Letter*, and on January 7, 1723, it passed into other hands.[20]

James Franklin, The Boston Gazette, and The New England Courant

On December 21, 1719, Brooker, the new postmaster, brought out the first number of *The Boston Gazette* at the request of several Boston merchants who apparently were completely fed up with the ineffective *News-Letter*.[21] James Franklin, older brother of the celebrated Benjamin, was the printer of *The Gazette* for one year.[22] To supplement his meager income as printer, Franklin printed and sold cloth at his print shop. He was an enthusiastic advertiser of his own products. On April 25, 1720, for instance, he inserted this advertisement in *The Gazette:*[23]

> The Printer herof prints Linens, Calicoes, Silks, etc., in good Figures, very livily and durable colours, and without the offensive Smell which commonly attends the Linens printed here.

While its founding had been encouraged by disgruntled *News-Letter* advertisers, *The Boston Gazette* failed to introduce any new advertising techniques during its early years, possibly due to its frequent change of ownership. It was approximately the same size as *The News-Letter*, used the same soggy typography, and carried the same type and paucity of advertisements — mostly of slaves, lost articles, books, and real estate — on its back pages.[24]

On August 6, 1721, shortly after his dismissal as printer of *The Boston Gazette*, James Franklin began to publish Boston's third newspaper, entitled *The New England Courant*. He was well prepared for this venture, having studied in London where he observed firsthand the work of the English masters, Addison and Steele.[25] While *The Courant* was the liveliest and most literary of the early colonial newspapers,[26] it lasted less than five years, for James Franklin was another Harris and constantly clashed with the authorities. Most of the space in *The New England Courant* was absorbed in frank criticism of the conduct of colonial affairs and in attacks against inoculation for smallpox.[27] It carried very little news, and but few advertisements.[28]

While James Franklin's journalistic career was short-lived,[29] he con-

[20] Clarence S. Brigham, *History and Bibliography of American Newspapers, 1690–1820*, Vol. I (Worcester, 1947), p. 327.

[21] DeArmond, *op. cit.*, p. 42.

[22] James Franklin was replaced after one year because Brooker lost both the postmastership and *The Gazette*. Between 1719 and 1739, this paper was owned and operated by no less than five postmasters. In spite of this shaky start, *The Gazette* was published continuously until 1798.

[23] James M. Lee, *History of American Journalism*, p. 72.

[24] Presbrey, *op. cit.*, pp. 131, 133.

[25] Payne, *op. cit.*, pp. 30–31.

[26] DeArmond, *op. cit.*, p. 216.

[27] Payne, *op. cit.*, p. 32. See also DeArmond, *op. cit.*

[28] Isaiah Thomas, *The History of Printing in America*, Vol. I (Albany, New York, 1874), p. 111.

[29] DeArmond, *op. cit.* *The Courant* lasted from August, 1721, to June, 1726.

tributed in at least two ways to the development of colonial journalism. First, his fearless criticism of the colonial government revived the fight for a free press. And secondly, he trained his brother Benjamin in newspaper work and prepared him for his influential role in colonial journalism.

Andrew Bradford's American Weekly Mercury

It is interesting to note that the first issue of *The American Weekly Mercury* appeared in Philadelphia on December 22, 1719, one day after *The Boston Gazette's* first number was published.[30] Andrew Bradford, the founder, was especially well qualified for the task of publishing a colonial newspaper, and he developed his *Mercury* into the most influential newspaper of the 1720's.[31]

Bradford knew from the experiences of the first colonial journalists that the development of a wide circulation was crucial to the success of his undertaking. Therefore, before launching his paper, he made careful arrangements for its distribution. To insure the widest possible circulation, not only in Philadelphia and Pennsylvania but in all the middle colonies and even in parts of the South and New England, he contracted with nine business associates to take in subscriptions and to collect news and advertising.[32]

To please subscribers, Bradford printed both foreign and domestic news. He strove particularly hard to serve business people and thereby gain their advertising patronage. His *Mercury* regularly published commodity prices and shipping news of Philadelphia, New York, and Boston.[33] Bradford's method of appealing to the self-interest of business people is well illustrated by the following announcement, which appeared in the ninth issue of *The Mercury*.[34]

> The Design of this Paper, being to Promote Trade it is hoped, that it will be Incouraged by the Merchants of this City, by Acquainting Us with the true price Current of the Several Good's inserted in it, which we presume may be Serviceable to All concern'd in Commerce, Especially to them, that have any of those Good's to Sell, who will find a quicker Sale, by Our Informing those persons that want them where they may be Supplied: We likewise Desire those Gentlemen that receive any Authentick Account of News from Europe, or other places, which may be proper for this paper, that they will please to favour Us with a Copy.

With such able business management, *The Mercury* prospered from the start. By the end of the first year it had a wide circulation and carried several advertisements from distant colonies.[35]

In his early years as publisher, Bradford had several clashes with the authorities, but later he became circumspect and avoided the publication

[30] *Ibid.*, p. 12.
[31] *Ibid.*, pp. 1–6, 25. He inherited from both sides of his family the tradition of the press. Both his grandparents were well-established printers and publishers in London, while his father, William Bradford, was New York's first printer.
[32] *Ibid.*, p. 41.
[33] *Ibid.*, pp. 40–41.
[34] *Ibid.*, p. 41.
[35] *Ibid.*, p. 43.

of controversial political matters.[36] By such judicious avoidance he was left free to develop his newspaper into an effective organ of commerce.[37]

Besides his newspaper, Bradford was engaged in several other business ventures.[38] The enterprise that was the most helpful to his newspaper business was his retail store. It was the custom, almost the necessity, for the printing shop to sell all sorts of commodities, for as Lee states, "the colonial printer was willing to take almost anything in exchange for subscriptions" and often "sold over the counter the goods accepted in payment." [39]

Bradford contributed to the development of retail advertising in that he regularly advertised merchandise that had accumulated in his print shop. Thus, by his own example, he undoubtedly influenced other merchants in Philadelphia to try newspaper advertising. In the early issues of *The Mercury*, Bradford's own advertisements announced for sale such items as molasses by the barrel, whalebone, live goose feathers, Barbadoes rum, chocolate, Spanish snuff, tea, pickled sturgeon, and beaver hats, as well as a variety of patent medicines.[40] As his retail business developed, he added imported merchandise, and from about 1726 his advertisements in *The Mercury* announced the importation from Europe of such articles as spectacles, compasses with dials, leather, English brandy, clothing and books.[41]

By such astute business practices Bradford gradually built up his advertising volume to the point where in the mid-thirties it reached one-and-a-half to two pages regularly.[42] Business people from all the middle colonies, as well as some from New England and the South, frequently announced their wares, which included food and clothing, utensils and machinery, houses and land, ships and wagons and horses, musical instruments, jewelry, and chinaware. Also, *The Mercury* advertised services of different sorts, not only the professional assistance of doctors and lawyers, but also of skilled artisans who offered such services as sharpening of sickles, dry-cleaning, and dyeing.[43]

Unlike Campbell of *The Boston News-Letter*, Bradford was constantly experimenting to improve newspaper advertising technique. In addition to employing a considerable variety of type, he was the first of the colonial printers to use cuts to identify the advertised product. His first such illustration was a crude picture of a book beside the notice for the sale of an almanac in 1721. Later in the same year a cut illustrated the notice of an unclaimed bale of goods.[44]

By the early thirties cuts became a regular part of the make-up of *The Mercury's* advertising pages. During the later years other improvements in advertising format were made. Advertisements were set in varied type,

[36] Payne, *op. cit.*, pp. 40–41.
[37] DeArmond, *op. cit.*, pp. 20, 44. By staying out of politics he was able to keep the lucrative job as government printer, and in 1728 he was awarded the postmastership, which post enabled Bradford to circulate his paper free of charge.
[38] DeArmond, *op. cit.*, pp. 20, 34. Bradford also had a financial interest in an iron foundry and speculated in real estate.
[39] James M. Lee, *History of American Journalism*, pp. 68, 72.
[40] Payne, *op. cit.*, p. 40. See also DeArmond, *op. cit.*, p. 21.
[41] DeArmond, *op. cit.*, pp. 22–23.
[42] *Ibid.*, p. 48.
[43] *Ibid.*, p. 157.
[44] *Ibid.*, pp. 47–48.

boxed separately, and carefully spaced to catch the eye. Bradford frequently employed rows of type ornament to divide the news section from the advertising section.[45]

Finally, Bradford was probably the first of the colonial journalists to start classified advertising. As early as 1730, *The Mercury* carried help wanted announcements which called for carpenters, joyners, bricklayers, tanners, and hatters.[46]

While Bradford's distinguished journalistic career ended with his untimely death in 1742, his wife continued to publish *The Mercury* until May 22, 1746. Thus came to an end, after a notable history of twenty-six years, Pennsylvania's earliest newspaper.

William Bradford's New York Gazette

William Bradford was one of the first printers in America, having come to Pennsylvania with the Quakers in 1682 for the purpose of printing the laws of the colony. Here he was frequently in trouble with the authorities for printing seditious materials, and after eleven years of discouragement he moved his press to New York in 1693 and became the governor's printer at a very attractive salary. From this time on he was most careful of what he printed.

It was not until November 8, 1725, that William Bradford, at the age of 62, began to publish *The New York Gazette*, New York's first newspaper,[47] six years after his son's *American Weekly Mercury* appeared in Philadelphia. At this advanced age, William Bradford lacked the drive to promote his newspaper aggressively. He was content to publish a news sheet like Campbell's *Boston News-Letter*, and like the latter paper it carried mostly foreign news. Invariably, *The New York Gazette* was poorly printed due to the fact that William Bradford had used his type for a long time before he began to print his newspaper. Circulation was limited, and the printer frequently had to appeal to delinquent subscribers.[48]

Advertisements in *The New York Gazette* were few in number, and the subjects were mostly slaves, runaway apprentices, lost articles, and real estate. Since William Bradford was a land speculator and developer, he at times ran his own real estate announcements in *The Gazette*.[49]

The New York Gazette, which was published continuously until October 29, 1844, contributed little to the advancement of journalism and advertising. However, its publisher in his earlier years as a printer fought staunchly for freedom of the press, trained his son Andrew for his role on *The Mercury*, and in his later *New York Gazette* days took in the immigrant Zenger and taught him the newspaper business.

[45] *Ibid.*, p. 48.
[46] *Ibid.*, pp. 157–158.
[47] John W. Wallace, *An Address Delivered at the Celebration by the New York Historical Society, May 20, 1863, of the Two Hundredth Birthday of Mr. William Bradford, who Introduced the Art of Printing into the Middle Colonies of British America* (Albany, New York, 1863), p. 86.
[48] James M. Lee, *History of American Journalism*, pp. 37–38.
[49] It will be remembered that the first American newspaper advertisement was William Bradford's Oyster Bay real estate announcement that appeared in the third number of Campbell's *Boston News-Letter*.

Benjamin Franklin's Pennsylvania Gazette

As a matter of historical fact, *The Pennsylvania Gazette*, the state's second newspaper, was started by Samuel Keimer on December 24, 1728. According to Franklin, it was his idea to start a paper in competition with *The Mercury*, but Keimer upon getting wind of Franklin's plan hurriedly made arrangements to forestall him. Keimer, however, proved unequal to the task, and after struggling along for nine months with less than 100 subscribers, he sold out to Franklin for a trifle.[50]

Since Andrew Bradford had a monopoly of all the profitable printing in the colony, it took great courage on Franklin's part to take over the insolvent *Gazette*. Some of the difficulties that could befall a printer not in the subsidy and grace of the colonial authorities is vividly described in this editorial piece published by Keimer as an explanation for an interruption in the publication of *The Gazette:* [51]

> It certainly must be allowed somewhat strange that a person of strict Sincerity, refin'd Justice, and universal Love to the whole Creation, should for a Series of near twenty Years, be the constant But of Slander, as to be three Times ruin'd as a Master-Printer, to be Nine Times in Prison, one of which was Six Years together.

That Franklin was able to surmount all obstacles and establish *The Gazette* within a few years is proof of his genius. Having been a personal witness of the struggles of both Keimer and his brother James, he realized the futility of open resistance to authority. From the very start he strove to sell his ideas through tactful persuasion.[52] In the conduct of *The Pennsylvania Gazette* he was careful to exclude material of a scandalous or libelous nature. At the time, it was common strategy for politicians to injure the reputation of rivals by paying to have fabricated, defamatory information printed.

However, from time to time Franklin used the editorial pages of his *Gazette* to criticize mildly the public conduct of certain citizens of high standing. The story is told that when some wealthy patrons tried to suppress his plain speaking, Franklin invited them to his house for dinner and served them nothing but pudding made of coarse corn meal and a pitcher of water. Franklin ate heartily, but upon seeing his guests' inability to do likewise, he arose and said, "My friends, anyone who can subsist on sawdust pudding and water, as I can, needs no man's patronage." [53]

Benjamin Franklin succeeded where Keimer failed because he was thrifty, plowed back profits into his paper, and constantly sought ways and means of improving it. Editorially *The Gazette* was of uncommon brightness. Its pages were illuminated with the quiet humor to be found in all of Franklin's writings. His lucid style of writing and the excellence of his typography at once attracted attention throughout the colonies. He

[50] D. H. Montgomery, *The Autobiography of Benjamin Franklin* (Boston, 1927), p. 73.
[51] John C. Oswald, *Benjamin Franklin Printer* (New York, 1917), p. 98.
[52] In his autobiography, Franklin describes in detail his plan for self-improvement. His method is still used today in sales training courses. During his first year with *The Gazette*, he won from Bradford the printing of the laws through personalized sampling of his work.
[53] Montgomery, *op. cit.*, p. 74.

put in new and larger type, watched paper and ink and press work, and got better printing. Good use of leading and white space helped further to make *The Pennsylvania Gazette* the best looking paper. The circulation of 90 copies per issue quickly went into the hundreds. To increase his circulation, Franklin originated the practice, still popular today, of writing letters to the editor, creating a number of imaginary characters and engaging in disputes with himself in order to draw the public into the editorial circulation-building net, wherein they write letters and buy many copies of the paper in which their names are printed.[54]

It was in the advertising that Franklin's typographic skill found its chief opportunity. He opened up soggy columns by separating each advertisement from its neighbors above and below with several lines of white space. A 14-point heading for each advertisement was another innovation. Franklin's combinations of type were pleasing and his typography as a whole was ahead of that used in London newspapers of the period.[55]

Franklin along with Andrew Bradford pioneered in the use of cuts for better identification of advertised products. His first illustrations were 1¼-inch stock cuts of ships, which were set into the announcements of cargo space and passenger accommodations. As retail advertising developed, Franklin used stock cuts of scythes and sickles in advertising these products for hardware dealers. He used clock faces to identify the watchmaker's advertisement. Later he used stock cuts of horses and other objects to identify at once the nature of the advertisement.

Franklin's gift as a writer is reflected in his advertising copy. Much of his copy has a modern ring, with a factual presentation of the qualities of the product. For instance, the following advertisement of soap carries a strong appeal and sounds quite modern:

Super Fine Crown Soap

It cleanses fine Linens, Muslins, Laces, Chinces, Cambricks, etc. with Ease and Expedition, which often suffer more from the long and hard rubbing of the Washer, through the ill qualities of the soap than the wearing.

Like other colonial publishers before him, Franklin took merchandise in exchange for subscriptions and advertised it for sale in his newspaper. Thus as his retail operation grew, he advertised a wide variety of goods which included wine, coffee, chocolate, tea, mathematical instruments, codfish, and even two quack medicines, the "True and Genuine Godfrey's Cordial," and "Seneka Rattlesnake Root, with directions how to use it in the Pleurisy, etc."[56]

Keimer during his proprietorship of *The Gazette* occasionally but not often published enough advertisements to fill one page. Franklin had from the start more advertising in each issue than any other paper in the colonies had been able to develop after three to twenty years of effort.[57] Some of *The Gazette's* early issues contained paid announcements occupying two of its four pages. As the volume of advertising increased,

[54] Payne, *op. cit.*, p. 64.
[55] Presbrey, *op. cit.*, p. 133.
[56] *Ibid.*, p. 137.
[57] *Ibid.*, p. 133.

the paper's size had to be expanded from two short columns to three deep columns, making *The Gazette* about the size of one of our twentieth-century tabloids. Finally the pressure of advertising broke the long-standing tradition that advertisements should appear at the bottom of the back page and work forward; *The Gazette* began to carry paid announcements on every page.[58]

Besides setting an example in good newspaper work with his own paper, Benjamin Franklin also contributed greatly to the growth of journalism by financing the establishment of six other colonial newspapers. To ambitious apprentices he supplied the press and a font of type and took a one-third interest in the profits. *The South Carolina Gazette* and *The New York Post Boy* were two colonial newspapers set up with the financial assistance of Franklin.[59]

When Franklin was elected to the assembly, he turned over the publication of *The Pennsylvania Gazette*, to a partner, David Hall, who in 1766 became the sole proprietor. With the exception of a brief interruption during the Revolutionary War, *The Gazette* was published continuously throughout the remainder of the eighteenth century. It was finally discontinued in 1815.

Zenger's New York Weekly Journal

John Peter Zenger is perhaps the best known of the colonial printer-publishers because of his fearless and successful fight for a free press. On November 5, 1733, after serving an appenticeship of eight years on William Bradford's *New York Gazette*, Zenger launched his *New York Weekly Journal* which from its first issue began to carry frank criticisms of the provincial government. As a result of these attacks upon the authorities, Zenger was jailed but continued to edit his paper from prison.

Of his famous trial in 1735 nothing need be written. The immediate effect of Zenger's victory was to increase his popularity and the prestige of his paper. People were tired of the British rule, and Zenger's seditious *Journal* was popularly subscribed.[60]

Unlike the wealthy Bradford who had a monopoly of all the choice printing in the colony for over thirty years, Zenger desperately needed revenue to defray the cost of printing his *Journal*. For this reason he went after advertising aggressively, and since his paper enjoyed a much wider circulation than Bradford's *Gazette*, it was not difficult to increase advertising patronage. Within a few years *The Journal* carried four and five times as many announcements as *The Gazette*. Moreover, Zenger's paper attracted a wide variety of advertisements whereas Bradford's sheet carried mostly the lost and found variety.

As for innovations in advertising technique, Zenger is credited with publishing the first American half-page advertisement. He was also the first to use broken column rules in newspaper advertising.[61] Along with Andrew Bradford and Franklin, Zenger also contributed to the development of display technique.

[58] *Ibid.*, p. 136.
[59] Payne, *op. cit.*, pp. 65–66, and Presbrey, *op. cit.*, pp. 144–145.
[60] *Ibid.*, p. 56.
[61] Presbrey, *op. cit.*, pp. 142–143.

In 1737, two years after his victorious trial, Zenger was made public printer for New York, and the following year for New Jersey. These positions contributed much-needed revenue for the support of his financially hard-pressed *Journal*. Although many other remunerative printing opportunities now tempted him, Zenger continued to apply himself energetically to the development of his newspaper until his death in 1746, after which his family continued its publication for another five years.

Conclusion

The development of an adequate circulation was one of the most pressing problems faced by the early colonial journalists. Andrew Bradford and Benjamin Franklin led the way out of this dilemma. Through careful planning and organization of distributive agencies in key population centers, Bradford proved that a newspaper could be circulated widely throughout most of the colonies. Franklin demonstrated that newspaper readership could be greatly stimulated when stale foreign news was rewritten and a lively sense of humor was injected. In addition, both journalists experimented and discovered many ways of improving the crude newspaper techniques borrowed from Europe. They pioneered in the use of illustrations and developed a variety of type to improve the appearance and readability of copy.

The colonial journalists were ingenious and resourceful. To build circulation they took merchandise in exchange for subscriptions, and then advertised the accumulated stock for sale in their newspapers. By engaging in retailing and by advertising their own merchandise, they gradually overcame the skepticism of other businessmen about newspaper advertising.

Harris, James Franklin, and Zenger fought the all-important battle for a free press. However, even after the victorious Zenger trial in 1735, newspapers still could not stand alone on their youthful advertising legs. The economy was largely agricultural and there were simply not enough potential advertisers. Even the most able of the colonial journalists continued at least partially to finance the publication of their newspapers by such activities as job printing, retailing, and politicing.

Nevertheless, the struggles of the pioneer colonial journalists were not in vain. Through their sacrifices and dogged persistence they freed the press and introduced many of the technological improvements that were needed to develop the newspaper into an effective carrier of advertisements.

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MARKETING NONCONSUMER GOODS BEFORE 1917

An Exploration of Secondary Literature

ARTHUR H. COLE
Professor Emeritus
at Harvard University

This essay reflects an interest in a subject area that seems, to me and to some others, deserving of greater attention than it has hitherto re-

ceived. There are, in addition, certain procedural aspects to the paper. I have attempted, on a modest scale, to work an accumulation of data derived from secondary sources into some kind of a conceptual framework. Whether this attempt has been even moderately successful is not for me to say. There is probably some merit merely in making the endeavor, since many of my colleagues profess to believe that business historians have already provided enough raw material to erect some structures, even if these be only temporary sheds with leaky roofs.

The first concern in launching this study necessarily is with definitions. To define the area of interest in a negative manner — items that were *not* consumer goods — is a bit awkward, but seems necessary. When one reaches beyond goods (and services) purchased and enjoyed by consumers, one taps items of somewhat variant nature. They include such things as turret lathes and threshing machines, card clothing, locomotives, and typewriters. These articles have two qualities in common: they fall within the economist's rubric of goods used for the production — directly or indirectly — of goods (or of services) for ultimate consumption; and they do not form a part of the latter goods — do not wear off on them, as it were — or form a constituent element in them, as does raw material.

Actually, the intrinsic character of the several items is quite diverse. In one direction the group runs from what clearly would be "capital goods" in the economist's view, to what the latter would regard as real estate, i.e., from locomotives or merchant ships to round-houses, repair shops, and dry docks and to office buildings and rights of way. Again, the group encroaches upon the domain of true consumer goods. The consumer would have little use for the turret lathe or the locomotive mentioned above, but he could — and does — use hammers, spades, typewriters, etc., which are also utilized on farms or in factories. In short, the term "nonconsumer goods" does yield various irregular fringes and some uncertainties, but will serve reasonably well.

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For producers' goods as a whole, something like a "state of nature" might perhaps be detected, a condition when trade in such items did not exist. The early textile enterprises in this country had their own machine shops wherein much of their apparatus was constructed; the colonial and early post-Revolutionary merchants built their own vessels; locomotive builders constructed their own machine tools; etc. Trade did not exist in these particular cases.

The earliest distinct commercial "state" was characterized by the two features (a) of production only upon order and (b) the initiating of the purchase wholly by the prospective user. Sometimes one can observe a line of production in the process of change. In the 1840's Hussey was building his threshing machines only on order, while McCormick was building for stock — and, with an expanding market, "hardly ever built too many," as Hutchinson reports. Somewhat correspondingly, John Hutchins speaks of the tactics used by the builders of wooden commercial vessels in the pre-Civil War period: they hoped to sell while the vessel was still on the stays; if unsuccessful, they might send the completed ship

to a nearby large port, advertise in the local newspaper there, and wait for customers. And, if still unsuccessful, they might load her up, send her to a foreign port, sell the cargo, and hope to sell the vessel. Sometimes more than one voyage was necessary before the ship could be disposed of to advantage.

Production on order continued to be a feature of the market for producers' goods, though a decreasing feature. Specially large electrical installations were equipped only after contracts had been signed; dry docks (except the floating type) had largely to be constructed only after the letting of a contract, since each had to be fitted to the peculiar configuration of the shore line. Modern conveyor systems, such as those installed by Link-Belt, appear to have been, as it were, custom-made and so put together only under contract. However, in most such cases, an increasing proportion of the elements combined into such composites was produced in uniform character and held ready for utilization.

Similarly, the initiation of purchase by prospective users continued down through the decades. The textile-machine builders were quite content for many years to let their patrons seek them out, especially the larger and more conservative builders such as Saco or Lowell; locomotive constructing enterprises carried on little solicitation for orders; and, as late as 1900, the Bucyrus Company could rely in considerable measure upon the spontaneous actions of customers. The sluggishness in many cases in the development of selling organizations and in the adoption of "pressure" techniques is, of course, the negative aspect of this same phenomenon.

As already intimated, there appears to have been some recrudescence of "custom" work in recent decades. The events seem to relate to the twentieth century, and to be promoted by the increased complexity of manufacturing or generally productive processes. The Warner & Swazey Company combined engineering consultation with its sale of heavy-duty lathes; Bucyrus-Erie did the same with respect to its heavy apparatus; and the Link-Belt people sold through engineering organizations of its own development. Glover and Cornell by the 1930's spoke of the salesmen of this type as "sales engineers." Still more recently, with electronic equipment and automation in general, the trend has become even more obvious.

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One feature of the evolution of producer-goods marketing has been the rise of arm's-length distribution, if one may use the term. Perhaps proxy marketing would be a better term for the phenomenon. What I have in mind is the introduction of intermediaries between the two principal parties, the producer and the prospective user, together with the creation of devices and procedures whereby the advantages of the earlier face-to-face negotiations were preserved as far as possible.

This evolution was by no means identical or correspondingly timed among the various branches of producer-goods production. Textile-machine builders were peculiarly sluggish in initiating change. The American cotton industry was a century old before machine manufacturers began to utilize salesmen to any considerable extent. The larger machine

was still on the stays; if unsuccessful, they might send the completed ship

builders — Lowell, Saco, and Whitin — expected customers to come to their establishments to inspect their apparatus and to negotiate a purchase. The heads of the Lowell enterprise liked to take prospective purchasers around to see their company's machinery in operation in a local mill. The builders did exhibit their machinery at national and international expositions, even as early as the New York World's Fair of 1867; but, generally speaking, it took hard times to effect changes in established practices — or the lack thereof! The Whitins undertook a little advertising in the middle 1870's, and issued a catalogue; most of the concerns seem to have made connections with selling agents in the South during the mid-1890's. The evolution of a true distributive system, however, had to await the new century.

A tentative, exploratory distributing setup involving use of relatives is also occasionally observable, even as members of merchants' families had been used in colonial trading to maintain posts in West Indian or even more distant ports. Relatives seemingly were thought to make the best "proxies." In the 1830's and 1840's three Fairbanks brothers toured the country selling the scales that one of them had invented; Cyrus McCormick engaged various members of his family, especially his father, to ride the countrysides at harvest-time and solicit orders; and the Crandalls always had a son or two to help the senior builder of dry docks in his sales negotiations around the world.

More common was the establishment of selling arrangements with agents in the larger cities or the setting-up of branch offices there, or occasionally both sorts of outlets. The Fairbanks enterprise established a Chicago office in 1857, others at Cincinnati, Cleveland, Indianapolis, and Pittsburgh after the Civil War, and had gotten as far as Los Angeles by 1894. The Simonds Manufacturing Company of Fitchburg, producers of tools and hardware and launched in 1832, had fifty years later erected branch offices at New York, Chicago, Seattle, Portland (Oregon), and San Francisco. The Bucyrus Company, begun in 1880, had added two sales representatives to its staff by 1885 — two for the whole country! A couple of years later, it had established contact with a manufacturers' agent in Chicago, soon had its own branch offices in New York and Chicago, and authorized sales agencies in other cities. By the early part of the twentieth century, there were additional branch offices, and they were playing an increasingly important role in the selling effort. These cases appear to be representative of developments in other enterprises over the decades.

The extent of such organizations seems to be related positively to the degree of standardization in the items handled. McCormick appears rather rapidly to have acquired local agents throughout the grain-growing area; so also did John H. Patterson for his cash registers; and, in the twentieth century, the Corona typewriter concern. The Bucyrus-Erie enterprise's procedure in the same century offers the important clue: sales agencies were allowed to promote the distribution of older types of equipment, such as steam shovels, but the sale of new and specialized apparatus was restricted to company offices.

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The positive promotion of sales varied markedly among products, with the degree of standardization being, it seems, the most influential element in favor of action. Promotion assumed diverse guises.

The textile-machine fabricators were not wholly passive, although they were not leaders in this type of activity, as I have already suggested. Both the Lowell and the Whitin companies had available for clients complete plans for the layout of mills, if these clients were "starting from scratch," as it were. Such machine builders also took customers through operating mills, as I have stated, to demonstrate how the apparatus performed.

The early producers of electric lighting equipment went further, according to Passer. It was quite usual for these manufacturers to step into local situations, assisting in the organization of lighting companies which in turn would purchase apparatus. E. H. Goff proceeded even another step: he not only set up the local enterprises but ran them two or three years — to show the local men of means that the novel facility was a profitable venture.

In more than one line the financial resources of machine producers went to the aid of their customers, that is, beyond the special case of E. H. Goff. Seemingly, the builders of wooden sailing vessels at times took shares in the support of the activities of customers such as cod fishermen. The Pettee Machine Works, through its representatives, Frank Hale and Paul Snelling, appears to have led the textile-machine manufacturers into corresponding practices. Especially with respect to the southern mills, and in the depression of the middle 1890's they were joined by most of their fellow machine builders. They took stock in these new mills, usually divesting themselves of it as soon as feasible but sometimes holding on and participating in the management. The early electrical manufacturers also took stock — at least at times — in local producing concerns.

But beyond such endeavors or actions — which might be looked upon as promotion in the concrete — were more dispersed efforts. One such wide-ranging method was advertising; and I recall that a character of my *American Wool Manufacture*, one William Scholfield, advertised in the *Pittsfield Sun* as early as 1805 in an endeavor to sell his new carding machines — although I have sometimes wondered why he did so, what prospective purchasers he expected to reach. Generally speaking, the more standardized the item being sold, the greater the use of advertising. Large-scale early users, for instance, were the producers of farm equipment. Manufacturers of plows had, I believe, made use of the convenient farm journals in the 1820's and 1830's; surely McCormick, Hussey, and others employed this avenue of public announcement in the next decades. J. I. Case and presumably others employed "wall hangers" to call attention to their apparatus. Even more vigorous modes of advertising were used. Several producers of equipment, especially those manufacturing harvesters, participated in demonstrations and contests at country fairs, while Case put his machinery on flatcars, took it along the western railroads, stopping at the numerous stations and sending a calliope around the villages to announce the presence of the local exhibition.

The Fairbanks enterprise began to advertise its scales in the 1850's.

Smith & Griggs, manufacturers of brassware, began to advertise in the Civil War period, the Lowell and Whitin textile-machine builders soon after the close of that war or in the depression after 1873, and various types of producers in the 1880's. In addition to trade periodicals, a frequently used vehicle of advertising was the trade directory. These handy books of reference commenced to appear in the 1870's — and have been issued ever since, of course. Hower speaks of the manufacturers of agricultural tools and machinery as clients of the N. W. Ayer enterprise in the 1870's, and gives a figure of the amounts spent by Ayer on behalf of such apparatus and of "industrial machinery, hardware, and building materials" in 1877–1878. The proportion was not high. Together the two categories represented scarcely 10 per cent of the aggregate. And it will be recalled that the textile-machine manufacturers sought to promote sales by participation in the "expositions" of the post-Civil War era.

Advance to the second level of selling, that by description (in contrast to the primary form of selling by inspection) was indicated particularly by the issuance of sales catalogues. Here again standardization of product played an important part, but was not a wholly dominant factor: the textile-machine builders were very slow in preparing such aids to selling. Few such items appeared in the textile-machinery field until the twentieth century. The Fairbanks scale concern may have had a catalogue by the 1850's; it is alleged to have sent out its early salesmen "supplied with water-color drawings and with plans and models of each variety of scale." The Niles Works of Cincinnati, builders of machine tools, had a catalogue by 1866; the James B. Clow Company of Chicago, jobbers of iron pipe, in 1882; surely the cash register enterprise in the same decade, and many other concerns in that and subsequent periods, e.g., the Norton Company of Worcester, Massachusetts, in 1888.

Promotion by the use of traveling salesmen — another sort of proxy — likewise varies considerably among the different lines of product. As already indicated, the members of the McCormick and Fairbanks families acted in such a capacity at early periods. These men were succeeded by other, more numerous nonfamily representatives. In the agricultural machinery field, the corps of "canvassers" grew steadily and became an important element in the marketing process. Much later, traveling salesmen were, of course, utilized heavily by John H. Patterson. In between these two examples, the mention of such agents is spotty. The James B. Clow & Sons enterprise of Chicago had traveling men in the 1878–1892 period; the Bucyrus Company employed such agents around 1890; the Cleveland Twist Drill Company had at least one in 1893; etc. They seem to have been taken for granted after the turn of the century, although more generally in standardized than in specialized production and distribution.

An acceleration or intensification of selling effort appears to have occurred in the area of producer-goods distribution as a result of the activities of John H. Patterson and his innovations relative to the sale of cash registers, although undoubtedly the consequences were greater in the domain of consumer goods. His concept of sales pressure — selling cash registers to retailers when the latter did not see that they needed the gadget — had less opportunity for employment in sales of industrial ma-

chinery, electrical equipment, and the like, but there seems to have been some sharpening of procedures and practices. Perhaps the notions of Frederick Taylor and his contemporaries and followers had effect also. When the Edison General Electric Company was established in 1889, one central sales organization was set up, with branch sales offices in various cities, and with most of the personnel compensated by salaries. When the General Fireproofing Company was launched in 1902, a sophisticated merchandising system was already possible. Sales managers were appointed for the several "departments" of furniture, re-enforced concrete, etc.; a sales school was set up by 1906, and a sales convention held that same year. So likewise did the Corona typewriter begin distribution on a high level of organizational arrangements: dealers all over the country — "direct dealers" — each with exclusive territories and each with subdealers below them; "field representatives" employed by the company but engaged to help the many dealers; sales quotas; and the like. Somewhat similarly, the "canvassers" in the area of agricultural machinery distribution became — under the International Harvester Company organized in 1916 — assistants to the "blockmen," each of whom had an exclusive region to handle and exploit.

Finally, in this general connection, it seems appropriate to direct attention to the aspect of producer-goods distribution which might be labeled that of service. The nature of these operations has been specified above: textile-machine manufacturers supplying plans of mills or showing their apparatus in actual operation in a going establishment; Cyrus McCormick, his relatives, and his canvassers helping farmers to operate the machines that they had purchased; down to the machine-tool builders with their engineering advisory sections, or the Langston Company assuring itself and its customers that its paper-making apparatus really did function properly. Perhaps a couple of details may be added. McCormick at an early period replaced without cost to the purchasers a section of gearing that had proved to have been frequently defective. He also supplied duplicate parts — pieces of the machinery that would be likely to wear out in service — with each specimen of the apparatus sold, while the geographically scattered dealers in his machinery carried spare parts in stock. Some textile-machine producers also included spare parts with each type of equipment sold. In general, there is some evidence of that same kind of concern for performance in the producers' goods field that Professor Jack finds initiated on a policy level by the Singer Sewing Machine Company, and which is nowadays rather taken for granted in the field of durable consumer goods.

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Two further considerations deserve attention. One relates to the character of the market for specific types of producer goods. Sometimes one can observe the peculiar features of these several markets protruding through into the form or operation of the relevant distributive systems. The geographically dispersed, mechanically inexperienced farmers constituted a condition that promoted use of canvassers or some similar itinerant advisors, the reasonably ready availability of spare parts, etc., in the sale of farm machinery. The frequent desire of textile-mill pro-

moters to purchase a whole suit of clothes, as it were, led such builders as Lowell or Whitin to produce a full line themselves or to have affiliated builders who would supply their particular deficiencies, while it doubtlessly influenced the Charlotte Machine Company and "informal selling groups," as Navin labels the cooperative units, to arrange to have a similar full line of equipment represented.

In the case of Patterson and his cash register, it seems possible that a more illusive factor may have been involved. His determination of the need for special "steam" may be related to the fact that he was trying to sell a piece of apparatus, the very installation of which carried the implication that people are not always honest. The social practice of the country did not allow one, as it were, publicly to impugn the honesty or other elements of personal integrity, at least without immediate consequences! And in addition to the foregoing, I should like to recite the experience of the American locomotive builders — data for which I am indebted to Professor Jack of the Massachusetts Institute of Technology. Essentially, it is a case of the diminution of standardization coming in consequence of improved education or increased information! The locomotive industry was making headway toward the development of standardized types of locomotive, when civil engineers attached to the technical staffs of the railroads began to ask for special features which they believed to be essential. I am not sure why these engineers acted in this manner, and perhaps Professor Jack has not found a satisfactory explanation. At all events, the result was the retreat of the locomotive builders from standardization; each order became in some measure a custom job. And I am reminded of the conditions in his Goodyear-welt business detailed to me by one of my friends, a graduate of the Harvard Business School. He attributed some measure of his financial success to the care with which he recorded and carefully followed the picayune preferences of the technical men attached to the various shoe-manufacturing concerns. Even in so small an element in shoe construction, each such man seemed to want the sliver of leather cut differently, a little thinner or thicker, out of darker or lighter leather, etc., than his fellows. Perhaps such scientifically trained individuals have to make manifest their training, if only to justify this training to themselves.

My second point is the one that, quite apart from the nature of the apparatus and of the several markets, individual men made contributions to the evolution of forms and procedures, and their personalities changed the course of development. The consequences that flowed from the peculiar characters of Cyrus McCormick and Obed Hussey, and of John H. Patterson have already been intimated. Mention should also be made of Charles Coffin of the General Electric Company for his influence upon the particular form and the particular policies of that enterprise in the period immediately after its formation. His name should surely rank with that of E. H. Goff in the marketing aspect of that important industry. The special character of the textile-machine manufacturers should here be noted again. Perhaps they deserve a separate psychological or sociological study. Did they reflect merely the conservative strain in New England character, being perhaps extreme examples of that conservatism? Did they make manifest the consequences of the chance

course of evolution of the cotton-manufacturing industry in New England, or was there some other cause? In another branch of that distribution, mention should be made of H. S. Chadwick who, through his Charlotte Machine Company and his aggressive salesmanship, appears to have been a major element in the alteration of the business of textile-machine dealing in the Southeast.

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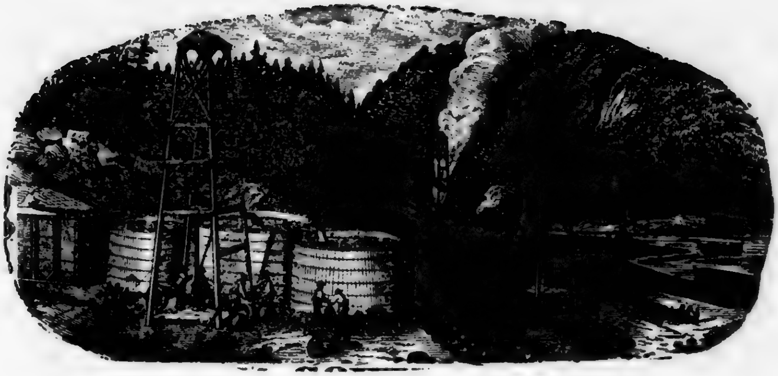
While much additional research is required to establish even the main lines of evolution and especially to fill in the gradations in the several qualities, one may yet assert the apparent existence in the historical development of the marketing of producers' goods of many of the basic elements which one would expect to observe in connection with the evolution of marketing of any commodity, service, or group of commodities or services in the United States. The extent and gradual settlement of the country had their consequences from the establishment and subsequent expansion of a dealer or branch-office organization to the support of so considerable a selling ritual as that of John Patterson. The urbanization in the country is reflected in the provision of an opportunity for the use of electrical lighting apparatus, and perhaps in the need for cash registers. An important feature of the prevailing entrepreneurial system is to be observed in the use of service as a means of gaining market approval. And all through the evolution one can see the contributions to change of individual men and the influence of the men to whom they sold.



Centennial Bibliography

Annotated Selections on the History of the Petroleum Industry in the United States

By Walter Rundell, Jr.

INSTRUCTOR, DEPARTMENT OF HISTORY
AT TEXAS WOMAN'S UNIVERSITY

This bibliography represents an effort to survey and evaluate selected literature dealing with the history of the petroleum industry in the United States. The goal has not been to include everything ever written, but rather, to produce a compact reference work that I hope will be useful to the industry, to students, and to the public.

My research has revealed that only one of the four major phases of this industry has been given anything approaching a full historical treatment. This phase is production. Since production is certainly the most exciting and spectacular part of the industry, it is only natural that it would be the first to be given broad and detailed attention. A beginning has been made in the other three fields — transportation, refining, and marketing. But of these three, only transportation has been dealt with to any appreciable extent from a strictly historical standpoint. The historical material on refining and marketing exists only within the framework of attempts at comprehensive treatment of a particular company or of the entire industry. Certainly, both refining and marketing are of sufficient importance to warrant special historical attention, but as yet this has not materialized.

Because of the early dominance of the oil business by the Standard Oil group and the continued importance of the "majors," a great deal has been written about the economic structure of the industry. Since the history of industry is, after all, a phase of the more comprehensive field of economic history, these economic approaches take their place as important adjuncts to the body of literature dealing with the history of the petroleum industry. An understanding of the economic problems of this business is essential to an enlightened historical perspective.

While there have been some efforts in government publications and individual historical studies to show the interrelation between the petroleum and other heavy industries, this remains an area in which a significant contribution is yet to be made. The same can be said about the relation of the petroleum industry to its derivative industries. Since most of these date only from World War II, it is perhaps too early to expect any serious historical coverage. But this is also a field that a business historian could investigate profitably.

Within the last decade, much of the significant historical writing about the petroleum industry has been done on grants from the major oil companies. While these businesss histories are invaluable sources of information about particular companies, they sometimes lack perspective in that they fail to relate the history of the individual company to that of the industry as a whole. But the gratifying feature of this program is that competent historians have been commissioned to write these studies. The results have not been public relations tracts, but scholarly, impartial investigations. If this trend continues, the outlook for the chronicling of the history of the petroleum industry is bright.

Asbury, Herbert, *The Golden Flood* (New York: Alfred A. Knopf, 1942).

This is a breezy, informal history of the first oil producing region in Pennsylvania. More thorough scholarship disproves some of Asbury's statements. Yet in this volume there is much good information on the Oil Region of particular interest to the social historian. Asbury emphasizes the unusual and the bizarre.

Bacon, Raymond F., and William A. Hamor, *The American Petroleum Industry*, 2 vols. (New York: McGraw-Hill, 1916).

While a technical study, this work contains a good chapter summarizing the history of the American petroleum industry up to 1916.

Baden, Anne L., ed., *The Petroleum Industry, A Selected List of Recent References* (Washington: The Library of Congress, Division of Bibliography, 1942).

For the serious student of the petroleum industry, this bibliography is an invaluable aid. It contains all the important publications in the Library of Congress dealing with oil, including all phases of the industry. Many of the items listed are of no interest to the historian, but an excellent index enhances the value of this bibliography.

Baker, Harold C., ed., *The Age of Oil* (New York: Charles A. Stoneham and Co., 1917).

The glory of John D. Rockefeller and Standard Oil radiates from the pages of this pamphlet. The real contribution of this study is the listing of major oil companies, along

with their boards of directors, capitalization, assets, income, location of refineries, and production sources.

Bartley, Ernest R., *The Tidelands Oil Controversy, A Legal and Historical Analysis* (Austin: University of Texas Press, 1953).

The conflict between the legal rights of states and the federal government is thoroughly examined by Mr. Bartley. He puts this controversy in its historical setting from Roman times to the present. This well-written and extensively documented volume makes an invaluable contribution on a vital issue.

Baylis, Ned, *The Story of Oil* (London: Burke Publishing Co., 1947).

Simplified explanations and diagrams of the complicated refining processes are the chief asset of this volume, which is amply illustrated. The author takes an international approach to the petroleum industry.

Beaton, Kendall, *Enterprise in Oil, A History of Shell in the United States* (New York: Appleton-Century-Crofts, Inc., 1957).

This weighty tome tells the Shell story from the company's organization in 1912 to the present. The author had full access to the company's archives and has produced an objective, well-balanced, and exhaustive history.

Boatwright, Mody C., *Gib Morgan, Minstrel of the Oil Fields* (Texas Folklore Society, 1945).

Morgan, an oil well driller, created and disseminated a great body of folklore about the oil fields. The author ably records the minstrel's life, with special emphasis on that part of it spent in the West Texas fields. Half the book is devoted to some fifty of Morgan's tales.

Botsford, Harry, *The Valley of Oil* (New York: Hastings House, 1946).

Similar to Asbury's social history of the Oil Region, this work emphasizes the colorful and flamboyant aspects of Pennsylvania's early oil days. Botsford refuses to sacrifice a good tale for want of authenticity. E.g., he repeats the story of Coal Oil Johnny's renting a Philadelphia hotel for a day, although Steele vehemently denied any such occurrence in his autobiography.

Brown, George W., *Old Times in Oildom* (Youngsville, Pa.: George W. Brown, 1909).

A memoir of fifty years in the Oil Region, this volume deals with various technical problems, as well as the social history and personalities of the area.

Bryan, Barnabas Jr., *Petroleum Control in the United States* (New York: American Council, Institute of Pacific Relations, 1933).

Methods of controlling production of oil are investigated in this work. The author pays special attention to prorationing, the unit plan, the Yates plan, and the Kettleman Hills plan.

Clark, J. Stanley, *The Oil Century From the Drake Well to the Conservation Era* (Norman: University of Oklahoma Press, 1958).

Dr. Clark has assembled much information about the petroleum industry, but his work suffers from some serious defects. Most regrettable is that the book makes no real point, nor strives for any analysis or synthesis. Very little of the material is new, and there is no fresh insight or interpretation. An abnormally high percentage of the text consists of direct quotations, many of them from secondary sources. The author's uninspired writing makes this volume difficult.

Clark, James A., and Michel T. Hal-

bouty, *Spindletop* (New York: Random House, 1952).

Here is an exciting, dramatized history of Texas' first big oil strike — Spindletop. The authors use fictitious dialogue to capture the vigor of the oil boom. All the big names of oil production in Texas are sprinkled through the pages of this book. The authors trace the development of four major companies from this field — Gulf, Texaco, Magnolia, and Humble. The book contains no attempt at economic analysis, except to state "the Standard Oil Company monopoly never hurt the general public." This glorification of the oil pioneers makes most interesting reading.

Connelly, W. L., *The Oil Business as I Saw it: Half a Century with Sinclair* (Norman: University of Oklahoma Press, 1954).

Connelly views the petroleum industry from the standpoint of the Sinclair company and provides much useful information about this organization.

Cook, Roy C., *Control of the Petroleum Industry by Major Oil Companies*, Monograph #39, Temporary National Economic Committee (Washington: Government Printing Office, 1941).

Cook's study of the economic conditions existing in the oil industry has much the same tenor as Kemnitzer's earlier *Rebirth of Monopoly*. Control by the "majors" in the fields of production, transportation, refining, and retailing has tended to squeeze the independents out. Cook's solution to the problem is governmental control of the industry as a public utility.

DeGolyer, E., and **Harold Vance,** *Bibliography on the Petroleum Industry* (College Station, Texas: Bulletin No. 83 of the Agricultural and Mechanical College of Texas, 1944).

At the time of its publication, this was the most exhaustive bibliography on the technical aspects of the subject. As yet, it has not been superseded. The 730-page volume consists of a combination of DeGolyer's personal bibliography of some 12,000 entries with the bibliography of the Petroleum Engineering Department at Texas A & M. Subjects covered include geographical distribution, physical and chemical properties, exploration, production, transportation, refining, utilization, and economics of petroleum. There is no annotation.

Derrick and Drill, or an Insight into the Discovery, Development, and Present Condition and Future Prospects of Petroleum in New York, Pennsylvania, Ohio, West Virginia, etc. (New York: James Miller, 1865).

In the editor's own words, this is a "promiscuous collection of articles" dealing with various aspects of the first six years of America's petroleum industry. The subject is covered in an ingenuous and entertaining, if somewhat unreliable, manner.

Deterding, Sir Henri, *An International Oilman* (New York: Harper's, 1934).

This book consists of a series of articles published in *The Saturday Evening Post*. It is of interest because of Deterding's international competition with Standard Oil for world markets. Deterding stood at the helm of Royal Dutch Shell and his remarks about the American industry have considerable significance.

Dolson, Hildegarde, *The Great Oildorado* (New York: Random House, 1959).

The aim of this book is to present

a popular account of the Pennsylvania Oil Region, with emphasis on the author's home town of Franklin, from 1859 to 1880. Miss Dolson has organized her book largely around the bizarre characters of the Region — Coal Oil Johnny, John Wilkes Booth, Ben Hogan, and Charles V. Culver. The volume is crammed with anecdotes and entertaining facts about the early days of the industry, but the serious student would welcome some sort of documentation.

Apparently the author labored under the misconception that this history was not lively enough to sail under its own steam. So she tried to vitalize it by injecting such cleverness as referring to Johnny Appleseed as a seedy character. The style, rather than garnishing an already fascinating tale, often is embarrassingly contrived.

One of the strengths of the volume is the way it relates events in the Oil Region to other national activities during the period. The book has a good bibliography, but no index.

Ellisor, Alva C., *Rockhounds of Houston, An Informal History of the Houston Geological Society* (Houston: Houston Geological Society, 1947).

A discussion of pioneer Texas geologists is found in this booklet, together with a brief, informal history of the society from its founding in 1923.

Fanning, Leonard M., *The Rise of American Oil* (New York: Harper's, 1948).

The author's purpose in this book is to demonstrate how oil has been responsible for major developments in other fields of American industry — aviation, automotive manufacturing, farming, road building, heating, and heavy tooling. Fanning goes into the historical background to show the setting and context of American innovations. This is an important book in that it essays an analysis of the interrelation of heavy industries. On the other hand, the book is an unquestioning statement of admiration for the American petroleum industry. It makes no inquiry at all into the economic consequences of the monopolistic control of the early industry.

Farish, W. S., and J. Howard Pew, *Review and Criticism on Behalf of Standard Oil Company (New Jersey) and Sun Oil Company of Monograph #39 with Rejoinder by Monograph Author*, Monograph #39-a, Temporary National Economic Committee (Washington: Government Printing Office, 1941).

This reply to Monograph #39 is an attempt by the majors to refute every point made by Cook. The burden of defense rests upon testimony given before the Temporary National Economic Committee by other members of the American Petroleum Institute. Farish and Pew do not confine themselves to answering the charges, but also launch out on other topics, such as the contributions of the petroleum industry to the American way of life. On the whole, Cook's contentions stand up well in the face of this rebuttal.

Flynn, John T., *God's Gold* (New York: Harcourt, Brace & Co., 1932).

A biography of John D. Rockefeller, *God's Gold* tells the story of how the man built his immense fortune through the ruthless practices of monopoly. Flynn constantly juxtaposes what he regards as the two dominant features of Rockefeller's career — public rapine and personal piety. This book aspires to a degree of disinterestedness, but

the author has high praise for the early works of Lloyd and Tarbell and some of his facts and interpretations have been challenged. The book is not documented, but contains an extensive bibliography of secondary sources.

Forbes, Gerald, *Flush Production* (Norman: University of Oklahoma Press, 1942).

Oil production in Texas, Oklahoma, Louisiana, and Kansas is the subject of this intensive study. It contains some inquiry into the economic effects of the regulation of production. The conclusions are that prorationing and the unit systems tend to promote monopoly and that it is to the interest of the majors to control production. Forbes studies the social effects of controlled production.

Fowler, H. C., *Developments in the American Petroleum Industry, 1914–1919, Exploration, Drilling, Production, and Transportation,* U. S. Department of Interior, Bureau of Mines (Washington: Government Printing Office, 1937).

This survey of technical developments in the American petroleum industry has little historical interpretation. It was published as an information circular.

Gardner, Frank J., *Reference Report on the Oil and Gas Fields of the Texas Upper Gulf Coast,* Railroad Commission District Three (Dallas: Five Star Oil Report, 1952).

Like the other publications of Gardner, this work is primarily technical; yet it, in common with the others, contains information of some historical importance. This particular volume has a brief history of prorationing and conservation.

— *Rinehart's North Texas Oil* (Houston: Rinehart Oil News Company of Texas, 1941).

Burkburnett is the focal point of this study, which contains a historical introduction to the North Texas oil fields during the period 1870 to 1941. The volume is filled with valuable statistics.

— *South Texas Oil* (2 vols.), *A Study of the Petroleum Industry in Thirty-one Counties of the Rio Grande Embayment* (Tulsa: The Rinehart Oil News Company, 1947).

While this book contains only a brief historical introduction to the South Texas petroleum industry up to 1947, it has a wealth of technical data on specific fields.

— *Texas Gulf Coast Oil* (Dallas: The Rinehart Oil News Company, 1948).

The historical value of this volume lies in the chronology of production activities in the Gulf Coast region.

Gardner, Frank J., and Robert L. Phifer, *The Oil and Gas Fields of West Texas, Part 1: Railroad Commission District 7-C* (Five Star Oil Report, Inc., no date).

The book has no historical information as such, but contains a great deal of technical data on West Texas fields.

Gibb, George S., and Evelyn H. Knowlton, *The Resurgent Years, 1911–1927: History of Standard Oil Company (New Jersey)* (New York: Harper's, 1956).

This volume continues the Standard Oil (New Jersey) saga begun by the Hidys. It highlights the new growth after the dissolution, the Allies sailing to victory on a sea of American oil, and foreign exploration after the war. Rich in detail, the volume maintains the high scholarly standards set by the Business History Foundation.

Giddens, Paul H., ***The Birth of the Oil Industry*** (New York: Macmillan Co., 1938).

This is *the* definitive story of the beginning of petroleum production in the Pennsylvania Oil Region, written by one of the foremost scholars of the region. Giddens goes thoroughly into the production and transportation methods of the period. The volume is well-written and extensively documented. The introduction was written by Ida M. Tarbell.

—*The Beginnings of the Petroleum Industry* (Harrisburg: Pennsylvania Historical Commission, 1941).

The body of this book is comprised of the source material Giddens used in writing *The Birth of the Oil Industry*. It contains an extensive bibliography on the early days in the Oil Region. Many of the letters and newspaper items Giddens used in his first book are reproduced here.

—*Early Days of Oil* (Princeton: Princeton University Press, 1948).

This is a pictorial history of the beginning of the oil industry in Pennsylvania. Much of the text is from Giddens' *The Birth of the Oil Industry*. It is an amply illustrated account of the important early developments in oil production in Pennsylvania. The emphasis is on social history.

—*Standard Oil Company (Indiana): Oil Pioneer of the Middle West* (New York: Appleton-Century-Crofts, 1955).

Written on a grant from Standard Oil of Indiana, this book maintains a high degree of historical objectivity. Giddens integrates his extensive material into a most readable volume.

Glasscock, C. B., ***Then Came Oil*** (Indianapolis: Bobbs-Merrill Co., 1938).

This book is actually a history of Oklahoma rather than a story of oil, per se. It emphasizes the vast importance of oil to the state's economy and the great changes oil has made in the state's history. The book goes thoroughly into the effects of oil on the Indians owning the oil land. Glasscock traces the growth of two major oil companies, Sinclair and Skelly, that got their start in the Oklahoma fields. He examines the problem of conservation with particular reference to the declaration of martial law in the oil fields in 1933 by Alfalfa Bill Murray, but the author refrains from drawing any conclusions. The volume contains many good oil stories.

Glasscock, Lucille, ***A Texas Wildcatter*** (San Antonio: The Naylor Co., 1952).

A dutiful wife tells the story of how her husband struck black gold in East Texas.

Glover, John George, and William B. Cornell, eds., ***The Development of American Industries*** (New York: Prentice-Hall Inc., 1941).

This survey of American industry contains a good chapter on the petroleum industry. It is a brief, but factual history of the uses, refining methods, transportation, marketing, production, and financing in the petroleum industry.

Graham, Llewellyn, ***The Romance of Texas Oil*** (Fort Worth: Tariff Publishing Co., 1935).

The book is an informal, chronological account of oil production in Texas. It contains no documentation and can scarcely be considered authoritative.

Hager, Dorsey, ***Fundamentals of the Petroleum Industry*** (New York: McGraw-Hill Book Co., 1939).

This book is a general outline of

the petroleum industry, with but a scant section on its history. However, there is a wealth of historical information scattered throughout its pages. The volume is amply illustrated with good pictures, charts, and diagrams.

Hamilton, Daniel C., *Competition in Oil, The Gulf Coast Refinery Market, 1925–1950* (Cambridge: Harvard University Press, 1958).

This scholarly study of regional market structure and operation focuses chiefly on the present, but contains historically valuable statistics and useful trend observations. While pointing to the presence of "moderate but persistent oligopoly," the author concludes that competition in the area studied has been an effective market influence.

Hardwicke, Robert E., *The Oilman's Barrel* (Norman: University of Oklahoma Press, 1958).

This scholarly little monograph apparently exhausts the available data on how the 42-gallon barrel became the standard oil measure. The author concludes that no clear-cut reason exists for this usage. He quotes the supposition of Edward B. Swanson, former petroleum economist for the Department of Interior, to the effect that the 42-gallon barrel was adopted because it combined optimum weight and contents in relation to the cost of the container.

Interesting social notes in the book concern Ben Hogan and Nelly Bly (Elizabeth Cochrane Seaman). Hogan and his ilk often did the oilmen of Pennsylvania favors by consuming 42-gallon barrels of whisky so that the containers could then be filled with petroleum! Nelly Bly, who went around the world in 72 days, was the first to patent and mass produce steel barrels.

— *Petroleum and Natural Gas Bibliography* (Austin: University of Texas, 1937).

A monumental bibliography including listings on the following topics: history, prospecting, production, transportation, storage, refining, marketing, utilization, statistics, legal references, hearings, investigations, reports, accounting, and finance. A mimeographed supplement to this bibliography was issued by the American Petroleum Institute on May 1, 1940.

Hardy, Alfred C., *Oil Ships and Sea Transport* (London: Routledge, 1931).

While this study of the development of oil tankers is not directed towards the American petroleum industry, it contains much good information on this important aspect of the business.

Harter, Harry, *East Texas Oil Parade* (San Antonio: The Naylor Co., 1934).

The author gives a detailed, but informal account of the problems connected with controlling production in the East Texas fields. Special emphasis is put on the results of the declaration of martial law in the fields in 1931.

Henry, James D., *History and Romance of the Petroleum Industry* (London: Bradbury, Agnew & Co., 1914).

The volume is an English interpretation of the early American oil industry. Henry gives a factual account of production in the Oil Region, but lacks the insight of American authors.

— *Thirty-five Years of Oil Transport* (London: Bradbury & Agnew, 1907).

Henry's detailed account of early water shipping of oil is well illustrated. The approach is international, but appropriate attention is

given to American transportation problems.

Herrick, John P., *Empire Oil, The Story of Oil in New York State* (New York: Dodd, Mead & Co., 1949).

The chief value of this work is as a handbook on the New York petroleum industry. Herrick covers producing areas, refineries, pipelines, and personalities. His material is undocumented.

Hidy, Ralph W., and Muriel E., *Pioneering in Big Business, 1882–1911: History of Standard Oil Company (New Jersey)* (New York: Harper's, 1955).

Prepared under the auspices of the Business History Foundation, this is a biography of the Standard Oil combination, not just of Standard Oil of New Jersey. The work is an exhaustive study of various phases of the business, with much attention being given to the foreign aspects.

Horlacher, James Levi, *A Year in the Oil Fields* (Lexington: The Kentucky Kernel Press, 1929).

These are the interesting recollections of a roughneck in the West Texas fields. The author makes some intelligent observations on oil field labor problems, methods, and mores.

House, Boyce, *Oil Boom* (Caldwell, Idaho: Caxton Printers, Ltd., 1941).

House treats the strikes at Spindletop, Burkburnett, Mexia, Smackover, Desdemona, and Ranger superficially and without literary distinction.

— *Oil Field Fury* (San Antonio: The Naylor Co., 1954).

Corruption and oil ran together in Eastland County in the 1920's. Like House's other volumes concerning the Texas pertroleum industry, this one is of scant value to the serious student.

— *Roaring Ranger* (San Antonio: The Naylor Co., 1951).

This volume retreads the author's *Were You In Ranger?*, but makes no improvement.

— *Were You in Ranger?* (Dallas: Tardy Publishing Co., 1935).

Written in a telegraphic style, this book is a breezy, undocumented social history of the Ranger field.

Ise, John, *The United States Oil Policy* (New Haven: Yale University Press, 1926).

This solid piece of scholarship is an economic investigation of United States oil policy. It contains an excellent analysis of all types of waste found in the petroleum industry — waste in production, of capital, and of energy. Ise shows how oil tends to be a natural monopoly and how this factor has affected the organization of the industry. His conclusion is that the United States oil policy should not echo the sentiment on the face of our coins, but rather that the government should take positive steps to control our remaining resources.

Jackson, Ann, *The Wonders of Oil* (New York: Dodd, Mead & Co., 1940).

Although this is termed "a book for boys and girls," it would be an appropriate place to begin to gather information on the major phases of the industry. The descriptions are simple and lucid. Good diagrams and pictures help reduce the complicated geological and refining processes to understandable terms.

James, Marquis, *The Texaco Story* (The Texas Company, 1953).

James tells a brief but interesting story of the Texas Company's first 50 years. He explains with ease the important technological developments that revolutionized the busi-

ness, such as the Burton and Manley-Holmes processes of distillation. The writing is simplified so that the lay reader can easily follow the story. A good bit of emphasis is placed on the early founders of the company, such as J. S. Cullinan.

Johnson, A. M., *The Development of American Petroleum Pipelines: A Study in Private Enterprise and Public Policy, 1862–1906* (Ithaca: Cornell University Press, 1956).

This Vanderbilt thesis, which won an American Historical Association prize, makes a valuable contribution to the literature dealing with petroleum transportation.

Johnson, Emory R., Grover G. Huebner, and G. Lloyd Wilson, *Transportation, Economic Principles and Practices* (New York: Appleton-Century, 1940).

The book contains a section on petroleum pipelines, but does not go into the historical aspects of pipeline transportation.

Kalichevsky, V. A., *The Amazing Petroleum Industry* (New York: Reinhold Publishing Co., 1943).

This handbook on the petroleum industry places emphasis on the refined products. Kalichevsky gives the chemical explanations of various distillate fractions, or "cuts." The book is not written from a historical viewpoint, but does contain collateral information of interest.

Kemnitzer, William J., *Rebirth of Monopoly* (New York: Harper's, 1938).

Rebirth of Monopoly is the book by which all other economic analyses of control in the petroleum industry may be judged. This economic history of monopoly in the oil business is written with a sense of social and economic justice. Kemnitzer's thesis is that monopoly has been rebuilt by devious means since the dissolution of Standard Oil in 1911. Conservation has actually been a device of the majors to restrict the activity of independent producers and refiners. The author shows how patents are a means of extending monopolistic control and how prorationing limits competition. He emphasizes the fact that since the pipelines are largely controlled by the majors, independents are forced to use more expensive forms of transportation. The government, contends Kemnitzer, merely perpetuates monopolistic control in the petroleum industry by allowing these practices.

Kewley, James, *The Petroleum and Allied Industries* (New York: Van Nostrand Co., 1922).

This is a technical survey of the industry on a global basis. The author, an Englishman, makes incidental references to the American petroleum industry.

King, John O., *The Early History of the Houston Oil Company of Texas, 1901–1908* (Houston: Texas Gulf Coast Historical Association, 1959).

The origin of the Houston Oil Company was closely interwoven with that of the Kirby Lumber Company. King relates in a readable and scholarly manner the negotiations between Patrick Calhoun, grandson of John C. and moving spirit behind the oil company, and John Henry Kirby, lumberman, that led to the founding of these two important Texas businesses.

During the period covered in this publication of the Texas Gulf Coast Historical Association (Volume III, Number 1, April, 1959), the oil company was almost exclusively concerned with marketing the timber on its land. After 1908, when the two businesses were separated by litigation, the oil company engaged in the highly successful pro-

duction of petroleum in East Texas. The oil company was liquidated in 1956 for $243,000,000.

Knowles, Ruth Sheldon, *The Greatest Gamblers, The Epic of American Oil Exploration* (New York: McGraw-Hill, 1959).

Written by a veteran oilwoman, this book considers the "art of oil exploration" and deals with the most dramatic discoveries of petroleum in the United States. The volume, presented in a lively, popular style without documentation or bibliography, contains an abundance of information on such oilmen as Benedum, Joiner, Sinclair, Doheny, Marland, Rockefeller, Hunt, Pratt, and DeGolyer. The chief weakness of the book is the episodic nature of its topical organization around the activities of the various oilmen.

Koch, G. P., *Oil Text* (San Francisco: Shell Oil Company, 1941).

A text for Shell employees, this book contains no historical information of importance.

Latta, F. F., *Black Gold in the Joaquin* (Caldwell, Idaho: Caxton Printers, Ltd., 1949).

This is a narrative of production in California's San Joaquin Valley from the drilling of the first well in 1863 through the Kettleman Hills strike in 1924. There is no documentation, bibliography, or index.

Lawrence, Albert A., *Petroleum Comes of Age* (Tulsa: Scott-Rice Co., 1938).

Seneca Oil Spring near Cuba, New York, is the location where surface oil has been known longest in North America. This scholarly account concentrates on the history of petroleum in that area, but also deals with the Oil Creek area in Pennsylvania up to 1880.

Leven, David D., *Done in Oil* (New York: The Ranger Press, 1941).

Although this book is primarily an encyclopedia of oil terms, it contains good historical material.

Lloyd, Henry Demarest, *Wealth Against Commonwealth* (New York: Harper's, 1894).

An early, eloquent muckraker wrote this stinging indictment of the Standard Oil Company. Lloyd traced the growth of Standard's dominance in all phases of the business and described the practices of railroad rebates, price-cutting, and underselling which, he maintained, forced competitors out of business. With a highly dramatic style, Lloyd villified Rockefeller's methods and labelled him an oppressor of widows and orphans.

McDaniel, Ruel, *Some Ran Hot* (Dallas: Regional Press, 1939).

East Texas oil troubles are the subject of this volume. The author describes how hot oil was produced in violation of the prorationed allowances and describes the necessity for martial law in the fields.

McLaurin, John J., *Sketches in Crude Oil* (Harrisburg, Pa.: The Author, 1896).

These are sketches of pioneers "of the grandest industry of the ages." They are set in a matrix of historical narrative. McLaurin has been widely cited as an accurate source of information on the early days in the Oil Region.

McLean, John G., and Robert Wm. Haigh, *The Growth of Integrated Oil Companies* (Boston: Harvard Graduate School of Business Administration, 1954).

The authors, in making this exhaustive study of selected integrated oil companies, have produced a technical volume rich in detail. In the course of the book, three basic

issues are investigated: (1) the predominance in the industry of vertically integrated companies, (2) the differences and similarities in the organization of several companies, and (3) changes occurring in small refining businesses.

The purpose of the tome is not to evaluate the social and economic effects of integration, but to provide a sound factual basis for judgment for those who would essay such evaluations. The authors have accomplished their purpose admirably.

Mallison, Sam T., *The Great Wildcatter* (Charleston: Educational Foundation of West Virginia, Inc., 1953).

This biography of an outstanding oilman, humanitarian, and philanthropist, Michael Late Benedum, contains a good bit of background historical information.

Manchester, William, *A Rockefeller Family Portrait, from John D. to Nelson* (Boston: Little, Brown and Co., 1959).

An over-popularized account that skims the cream of the old Rockefeller folklore without any real comprehension of its background or underlying significance. The author writes a lively story, but has little, if anything, to tell those with a serious interest in history.

Marcosson, Isaac F., *The Black Golconda* (New York: Harper's, 1924).

This book, subtitled "The Romance of Petroleum," is an essay in the social history of petroleum production. It presents the striking and unusual facts about oil fields and the people who own or work in them. There is no documentation. Consequently, the author's facts are frequently open to question. Of most interest are the discussions of the effects of oil on the Oklahoma Indians and the growth of four major oil companies from the Spindletop field.

Mathews, John J., *Life and Death of an Oilman, The Career of E. W. Marland* (Norman: University of Oklahoma Press, 1951).

This is the story of the man who was one of Oklahoma's best-known oilmen and a governor of his state.

Maybee, Rolland Harper, *Railroad Competition and the Oil Trade, 1855–1873* (Mt. Pleasant, Michigan: Extension Press, Central State Teachers College, 1940).

The relationship between the oil industry and the railroads is studied in this volume. The author shows how the railroads reacted to various competitive conditions in the oil trade between 1859 and 1872.

Millard, Joseph, *The Wickedest Man* (New York: Fawcett Publications, Inc., 1954).

To the Oil Region came the "Gentleman from Hell" — Ben Hogan. He established the fanciest brothels the Region ever knew — the Floating Palace being his triumph. This popular biography reveals much of the violence of the locale in its flush days.

Miller, Ernest C., *Oil Mania, Sketches from the Early Pennsylvania Oil Fields* (Philadelphia: Dorrance and Co., 1941).

Another in the series of informal histories of the Oil Region's early days, this volume was written by a leading dealer in books about petroleum.

Miller, Max, *Speak to the Earth* (New York: Appleton-Century-Crofts, Inc., 1955).

As he explains his quest for knowledge of the petroleum industry, Miller unfolds some of the history of the American oil business. The book is a painless way to acquire some useful information.

Mims, Sam, *Oil is Where You Find It*

(Boston: Marshall Jones Co., 1940).

Written like a novel with fictitious dialogue, this is a popular, undocumented account of oil production in Louisiana. The story line is hung on the activities of the promotor Rebel Oakes.

Nevins, Allan, *Study in Power: John D. Rockefeller, Industrialist and Philanthropist* (New York: Scribner's, 1953).

On all counts, this is the finest biography of John D. Rockefeller, replacing the author's earlier work on this subject. The author shows how the personality of Rockefeller influenced the development of Standard Oil. He pays particular attention to Rockefeller's powers of organization. The general thesis is that for all the ugly aspects of the petroleum monopoly, this power of organization was a vital factor in the assumption by America of a place of leadership among the nations of the world. Nevins does not deny the abuses of America's Industrial Revolution, but he stresses the fact that the nation's industrial maturity was achieved at much less cost than either Germany's or Russia's.

O'Connor, Harvey, *The Empire of Oil* (New York: Monthly Review Press, 1955).

O'Connor has produced in this vigorous and stastistic-laden book the most recent economic critique of the American petroleum industry. His work merits a place in the memorable tradition of Lloyd (to whom the present volume is dedicated), Tarbell, Stocking, Ise, Watkins, and Kemnitzer. O'Connor's well-documented thesis is that the majors still dominate the American petroleum industry to an extent that is inimical to the common good.

— *History of the Oil Workers International Union (C.I.O.)* (Denver: Oil Workers International Union [C.I.O.], 1950).

This volume views the petroleum industry through the eyes of organized labor. It traces the growth and development of the most powerful union in the industry.

Osborne, Campbell, *Oil Economics* (New York: McGraw-Hill Book Co., 1932).

Although primarily an economic study of the oil industry, this book contains some worthwhile historical information on refining processes and conservation policies.

Paine, Paul M., and B. K. Stroud, *Oil Production Methods* (San Francisco: Western Engineering Publishing Co., 1913).

This book stresses the technical aspects of the business and contains good explanations of complicated drilling procedures.

Petroleum Industry Hearings Before the Temporary National Economic Committee (New York: American Petroleum Institute, 1942).

In this book the American Petroleum Institute digests the TNEC hearings on oil and presents the formal statements made before that body by members of the Institute. The full text of these hearings and statements is contained in the TNEC's own publications, parts 14–17a.

Petroleum, the Story of our American Industry (New York: American Petroleum Institute, 1949).

A third edition of *Oil*, this book presents a brief, objective account of the development of the American petroleum industry.

Petroleum — Twenty-five Years Retrospect (London: Institute of Petroleum, 1935).

A scholarly and technical presen-

tation of the development of the British oil industry, this volume is composed of papers written by various English geologists and refiners.

Pettengill, Samuel B., *Hot Oil* (New York: Economic Forum, 1936).

Governmental control of the petroleum industry is examined by a member of Congress. The book is superficial and loose-jointed.

Popple, Charles S., *Standard Oil Company (New Jersey) in World War II* (New York: Standard Oil Co. [N.J.], 1952).

Popple, a former member of Harvard University's business history staff, has written a detailed history of Standard's activities in World War II, with full attention given to the role played by subsidiary companies. There is a great deal of technical information, as well as charts and scientific explanations of the intricacies of the business. The treatment of the company is factual and unbiased. This is one of the few works that has attempted any historical coverage of petroleum's derivative industries, such as the manufacture of explosives, butadiene, and petrochemicals.

Redwood, Boverton, *Petroleum* (London: Charles Griffin and Co., Ltd., 1922).

Volume III of this technical study contains a bibliography with some 8,800 entries. The bibliography, which is not annotated, deals with the petroleum industry on a world-wide basis.

Reinholt, Oscar H., *Oildom, Its Treasures and Tragedies* (Philadelphia: David MacKay Co., 1930).

Some good historical data can be gleaned from this potpourri of disorganized facts about the oil industry. The book is amply illustrated.

Report, U. S. Congress, House Committee on Interstate and Foreign Commerce, 4 January 1935, William P. Cole, Chairman (Washington: Goverment Printing Office, 1935).

The *Report* is a digest of hearings of the committee on petroleum supply, demand, wastes, operations, and profits. The committee, which urged that petroleum operations should be conducted in the interest of the consumer as well as of producers and refiners, recommended that a federal agency be set up to regulate and safeguard the nation's supply of oil and to investigate new sources.

Rister, Carl Coke, *Oil! Titan of the Southwest* (Norman: University of Oklahoma Press, 1949).

Rister's volume is the most comprehensive and scholarly study yet made of production in the Southwest states of Texas, Oklahoma, Louisiana, Arkansas, and Kansas. It becomes somewhat repetitious in its descriptions of how one oil field after another was brought in, and the author misses much of the excitement inherent in the oil field. Slight attention is given to transporting, refining, or marketing oil. The book is well-documented. It was written on a grant from the Standard Oil Company (New Jersey) and the University of Oklahoma. The author's attitude is one of complete objectivity.

Roberts, Glyn, *The Most Powerful Man in the World* (New York: Covici-Friede, 1938).

This biography of Sir Henri Deterding has some relevant references to his competition with Standard Oil for world markets. The book is exceedingly caustic in its treatment of Deterding and Royal Dutch Shell. Roberts makes no attempt to conceal his Marxist penchant.

Roberts, Harold D., *Salt Creek,*

Wyoming, The Story of a Great Oil Field (Denver: Midwest Oil Corporation, 1956).

The author has produced a readable, thorough history of the Salt Creek field, which lies only a few miles northwest of, but is entirely separate from, the famed Teapot Dome.

Ross, Victor, *The Evolution of the Oil Industry* (Garden City: Doubleday, Page & Co., 1920).

Ross represents a simplified discussion of the production and refining of oil. He reduces technical aspects of the industry to simple terms. The book's double purpose is to explain the industry and to glorify those who have made successes in it, regardless of the method. Ross writes with a total lack of objective attention to the domestic consequences of the Standard Oil monopoly. The book is chiefly an unquestioning paean of praise for American ingenuity.

Schwettmann, Martin W., *Santa Rita: The University of Texas Oil Discovery* (Austin: The Texas State Historical Association, 1943).

A highly readable account of the initial discovery of oil on the West Texas lands of the University of Texas, this book was illustrated by Tom Lea.

Shuman, Ronald B., *The Petroleum Industry* (Norman: University of Oklahoma Press, 1940).

This economic study has a good bit of historical information concerning production, refining, conservation, transportation and storage, marketing, and control of oil. The author presents his material logically, but without literary grace.

Spratt, J. S., *The Road to Spindletop: Economic Change in Texas, 1875–1901* (Dallas: Southern Methodist Press, 1955).

The effect of the petroleum industry on the Texas economy during the last quarter of the nineteenth century is analyzed in this volume.

Steele, John Washington, *Coal Oil Johnny* (Franklin, Pa.: 1902).

This autobiography contends that the fabulous spendthrift from the Oil Region was actually more sinned against than sinning. The apologia, while refuting the legend, is a lively story in itself.

Stocking, George Ward, *The Oil Industry and the Competitive System* (New York: Houghton Mifflin Co., 1925).

The thesis of this book is that competition in all phases of the oil industry means waste. Economic demand for the products has led to overdevelopment in production, transportation, refining, and retailing facilities. The plethora of oil to be refined has meant incomplete utilization of the crude available. The patent monopoly has discriminated against independent producers and has made them produce and refine with incomplete recovery from the crude. The greatest waste of all has been in retailing. Competition in production has led to early depletion and ruination of good fields through careless, frenzied methods of getting the maximum out of the ground in the quickest possible time. The results have been that gas pressures have been dissipated and oil sands have been flooded with water. Stocking's solution to the problem of waste is governmental control at all levels in the petroleum industry.

Tait, Samuel W. Jr., *The Wildcatters, An Informal History of Oil-Hunting in America* (Princeton: Princeton University Press, 1946).

The author presents in a matter-

of-fact manner the accounts of such famous oil scouts as Colonel Drake, Captain Lucas, John Galey, and Dad Joiner.

Tarbell, Ida M., ***The History of the Standard Oil Company*** (New York: McClure, Phillips & Co., 1904).

This was the first major piece of scholarship in its field. Lloyd's account had been largely emotional, but Miss Tarbell's was thoroughly documented and more restrained, though hardly impartial. The famous muckraker wrote this history with telling force. She was keenly aware of the economic inequities and injustices wrought by Rockefeller's Standard Oil Company. A native of the Oil Region, Miss Tarbell had first-hand knowledge of Rockefeller's practices. She draws a strong contrast between his personal morality and what she describes with telling force as his business amorality.

Taylor, Frank J. and Earl M. Welty, ***Black Bonanza*** (New York: McGraw-Hill Co., 1950).

Primarily, this work is a pictorial history of the Union Oil Company of California.

Thompson, Craig, ***Since Spindletop: A Human Story of Gulf's First Half Century*** (no publisher, no date).

This is Gulf's story, told largely in terms of Gulf personnel, from its beginnings in Texas in 1901 to 1951. The appendix lists important statistics for each year of the company's life.

U. S. Bureau of the Census, ***Census of Manufactures: 1914, Petroleum Refining,*** Department of Commerce (Washington: Government Printing Office, 1915).

The 1914 report was the most complete in the entire series, which extends up through 1947. All reports follow much the same pattern — Scope of Industry, Summary by States, Persons Engaged in the Industry, Wage Earners Employed by Months, Character of Ownership, Size of Establishments, Materials, Types and Content of Crude, and Value of Products shipped. The report contains many excellent charts showing statistics which a historian could probably interpret into a factual historical summary of the industry, but only along the lines suggested by the statistical coverage. This census of manufactures, which began in 1900, restricts itself to refining.

——— ***Distribution of Manufacturers' Sales,*** U. S. Department of Commerce (Washington: Government Printing Office, 1937).

This publication contains only tables of sales and expenses connected with the distribution of petroleum products.

——— ***Manufacturers 1905,*** Part IV, Department of Commerce (Washington: Government Printing Office, 1908).

The 1905 census contained a brief but sound historical account of refining. The descriptions of refining processes and various cuts of crude oil are clear and logical.

——— ***Retail Trade: 1939, Commodity Sales, Filling Stations,*** Department of Commerce (Washington: Government Printing Office, 1941).

This publication is a statistical compilation only, with no interpretation.

——— ***Sixteenth Census of the United States: 1940, Manufactures, 1939,*** Vol. II, Part 1, Reports by Industries, Groups 1–10 (Washington: Government Printing Office, 1940).

Group 10 is "Products of Petroleum and Coal," and consists of statistics only, with no interpretation.

——— ***Wholesale Trade: 1939, Petro-***

leum Distribution, Department of Commerce (Washington: Government Printing Office, 1941).

Statistics only; no interpretation.

U. S. Federal Trade Commission, *Petroleum Industry, Prices, Profits, and Competition* (Washington: Government Printing Office, 1928).

This volume is the result of a Senate request for a report on the arbitrary control of petroleum prices. It is primarily an economic study, but contains valuable historical data on all phases of the petroleum industry. The report draws no conclusions for the Senate, but does present a wealth of material. It was based on information from the Bureau of the Census, Bureau of Mines, Geological Survey, American Petroleum Institute, and major oil companies.

—— *Petroleum Producing and Refining Corporations* (Washington: Federal Trade Commission, 1941).

This publication contains only economic statistics, without interpretation.

U. S. Natural Resources Committee, *Energy Resources and National Policy* (Washington: Government Printing Office, 1939).

Here is an extensive and thorough investigation into all economic aspects of the petroleum industry. It is not history, as such, but is full of much useful information. The report stresses natural resources and conservation. It shows the interrelation of competition and uses of various fuels and their effect on industry. For instance, coal attracted heavy industry to itself, whereas petroleum did not. But coal has been replaced by fuel oil on most trains and ships. The report contains excellent descriptions of refining principles and processes. This book is basic to an understanding of oil problems.

U. S. Securities and Exchange Commission, *Selected Information on Oil Refiners with Production Facilities Having Assets Over $50,000,000 Each* (New York: Securities and Exchange Commission, 1939).

This publication contains only economic statistics, without interpretation.

U. S. Tariff Commission, *Report on the Cost of Producing Crude Petroleum* (Washington: U. S. Tariff Commission, 1942).

This publication contains production and economic statistics only.

U. S. Temporary National Economic Committee, *Investigation of Concentration of Economic Power*, Hearings, Parts 14–17a, Petroleum Industry (Washington: Government Printing Office, 1940).

These investigations were primarily of an economic nature. The reports contain excellent source material for an economist or historian doing a specialized study. There are statements by important figures in the oil business, leading American Petroleum Institute members, and economists. The body of the hearings consists of questioning by the committee.

Warner, C. A., *Texas Oil and Gas Since 1543* (Houston: Gulf Publishing Co., 1939).

This is the classic history of oil in in Texas. There is a general history and topical treatment of the following areas: East Texas, Gulf Coast, North Texas, Panhandle, Southwest Texas, and West Texas. There is also a serviceable selected bibliography. Warner has followed his account with two additional articles in the *Southwestern Historical Quarterly*, July, 1946, and January, 1958.

Watkins, Myron W., *Oil: Stabilization*

or Conservation? (New York: Harper's, 1937).

Watkins' book is one of the leading economic studies of the problem of control in the petroleum industry. The author examines the aspects of control from all angles, with particular attention on the New Deal's attempts through NRA codes. As of 1937, Watkins felt the problem was still unsolved; the petroleum industry was continuing to call the tune. Two major groups, labor and the consumer, were outside the realm of those planning policy concerning the control of oil.

Weaver, Robert B., *Men and Oil* (Chicago, University of Chicago Press, 1938).

A guide for a documentary film, *Men and Oil* is a simplified narrative of early oil history.

Werner, Morris R. and John Starr, *Teapot Dome* (New York: Viking Press, 1959).

A popularized account of the great scandal that rocked the oil industry and left its mark on the Harding administration. The authors, who could have had the great advantages of perspective and a number of definitive post-facto studies, utilized neither effectively and have turned out a one-sided account of the event that does injustice to principals and circumstances alike.

Wescott, James H., *Oil, Its Conservation and Waste* (New York: Beacon Publishing Co., 1930).

This is a statistical-technical examination of the problems of waste. It contains good descriptions of the Burton, Manley-Holmes, and other cracking processes.

Whiteshot, Charles A., *The Oil Well Driller* (Mannington, W. Va.: Charles A. Whiteshot, 1905).

The author admits this ponderous tome to be "the universally recognized standard authority of the world's history of petroleum, crude and refined oil. . . ." The book is absolutely lacking in organization, but does contain some humorous detail on life in the Oil Region.

Williamson, Harold F. and Arnold R. Daum, *The American Petroleum Industry, Volume I, The Age of Illumination* (Evanston, Illinois: Northwestern University Press, 1959).

This book, the first of a projected two-volume series, is the most ambitious attempt yet made to chronicle the industry's history. The study has been conducted by qualified and competent scholars and was made possible by a grant by the American Petroleum Institute to the Northwestern University Center for Social Research. The authors' purpose was "to present an over-all, integrated and objective account of the American petroleum industry that general readers would find both interesting and understandable." Volume one is a balanced treatment of all phases of operation and covers the story of American petroleum from its initial use as a medicinal by-product up to the year 1899, the peak of its development as a source of illumination for a large part of the world. The authors blend broad viewpoints with a wealth of detail and statistical evidence to produce a clear account that unquestionably will be the standard reference for many years to come.

Wilson, Charles M., *Oil Across the World* (New York: Longmans, Green and Co., 1946).

While this story of pipelines is primarily concerned with oil transportation, it does not limit itself to that function. The book fills in a gap in one of the major fields of the petroleum industry. The discussion of the use of pipelines dur-

ing the Second World War is particularly good. The Big and Little Inch lines are covered in ample detail. This story of pipelines is not limited to America, but stretches across the world, as the title indicates.

Wolbert, George S., *American Pipe Lines* (Norman: University of Oklahoma Press, 1952).

This is an economic study of pipeline organization with a brief historical background.

Ziegler, Victor, *Oil Well Drilling Methods* (New York: John Wiley and Sons, 1923).

The book is a good source of explanations of oil well drilling terminology. Its diagrams are excellent.

Zimmermann, Erich W., *Conservation in the Production of Petroleum, A Study in Industrial Control* (New Haven: Yale University Press, 1957).

With this exemplary monograph, Professor Zimmermann offers a most comprehensive and objective statement on the subject of conservation in the petroleum industry. The author develops his subject with rare skill, taking pains to set conservation in its proper historical perspective.

Although this book was made possible by a grant from the American Petroleum Institute, it appears to be free of any pro-industry bias. Indeed, Zimmermann has achieved a high degree of scholarly objectivity. He concludes that conservation has been in the best interests of American society because it has reduced waste, enlarged reserves, and contributed to price stability. Of course, the industry has profited from conservation, but not unduly. Zimmermann points out that between 1938 and 1953 leaders of the petroleum industry have earned 12.9 per cent on net worth — "almost exactly the same rate as the average earnings for manufacturing or trading corporations." (P. 199.)

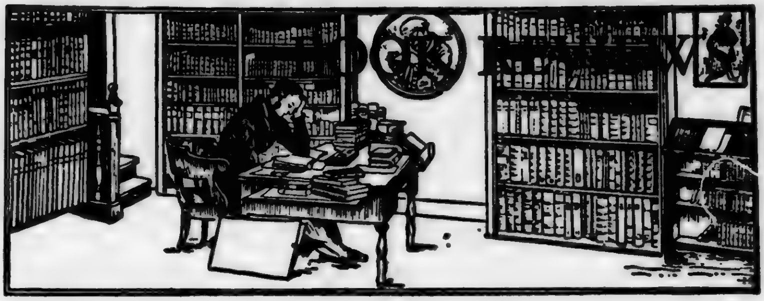
A real contribution of this work is its analysis of traditional arguments against conservation. The author explains the positions of such economists as Watkins and Stocking, and then exposes what he considers their defects. Another strength of the volume is that the writer makes manifest that his judgments, as must be those of any scholar, are largely personal and subjective. The fact that these judgments are supported by a splendid array of facts, presented with extraordinary literary felicity, gives the reader ample basis for confidence in the integrity of this work.

Newcomen Awards in Business History

Mr. Charles Penrose, Jr., Newcomen Society Senior Vice-President for North America, has announced the establishment by the Society, in cooperation with the *Business History Review*, of the Newcomen Awards in Business History. The awards program was instituted by vote of the Officers and Trustees of The Newcomen Society in North America and The Newcomen Publications in North America at their Annual Meeting at Kittery Point, Maine, on August 22, 1959.

Each year for a period of five years the Board of Trustees of The Newcomen Society in North America will make available two prizes, to be awarded for the best and second best articles appearing in the *Business History Review*. The first prize will be a cash award of $250. The second prize will be a cash award of $100. Suitable scrolls will accompany each award.

The Newcomen Awards will be selected by a panel composed of members of the Advisory Board of the *Business History Review* and a representative of The Newcomen Society in North America. The first awards, for the year 1959, will be announced and presented at the Newcomen Dinner Meeting in Boston on November 5, 1959.



ANTITRUST POLICIES: AMERICAN EXPERIENCE IN TWENTY INDUSTRIES. ***By Simon N. Whitney. New York, The Twentieth Century Fund, 1958. 2 vols. $10.00.***

Reviewed by Giulio Pontecorvo
Bowdoin College

Antitrust Policies is the fourth major work since 1946 in the Twentieth Century Fund's inquiry into the problem of monopoly in American Business.

The latest effort (in two volumes over 1,000 total pages of text and tables), consists of twenty industry studies. The industries covered, in the following order, are: "Meat Packing," "Petroleum," "Chemical Manufactures," "Steel," "Paper," "Bituminous Coal," "Automobiles," "Cotton Textiles," "Cast Iron Pipe," "Tobacco Products," "Anthracite," "Aluminum," "Shoe Machinery," "Motion Pictures," "Tin Cans," "Farm Machinery," "Corn Refining," "Cement," "Pullman Cars," and "Insurance."

These studies vary widely in length, the longest being "Petroleum," ninety-three pages, while only eleven pages are devoted to the "Cast Iron Pipe Industry." In addition to these individual studies, there is an introduction, a summary chapter that generalizes about certain aspects of the performance of the industries studies, a chapter on the role of the antitrust laws, the report of the sponsoring committee of the Fund, and an appendix.

The appendix is a series of critiques of the industries studied. It had been the author's hope (Vol. II, p. 449) to have two critiques of each industry, one prepared by a representative of the industry being analyzed and one by an independent scholar. In seven cases, however, it was impossible to obtain a contribution from an industry spokesman and these gaps were filled by representatives of government or organized labor. Unfortunately, many of these critiques are too brief — some are scarcely more than a paragraph in length — to be useful.

This reviewer found these volumes ambitious in their scope and suggestive in their method. However, in organization and content, they are very disappointing.

Perhaps the principal cause of disappointment is the lack of any central focus or theoretical framework against which the individual industry

studies might be evaluated. The author tells us (Vol. I, p. 12) that these twenty industries were selected,

> in ways which were intended to ensure an unbiased sample. Eight were chosen by taking the two largest mineral industries – bituminous coal and petroleum – and the industry with the largest sales in each of six broad classes into which the Census of Manufactures could logically be divided.

This method, of course, does not result in an "unbiased" sample. The sample is stratified, and within each stratification, industries were not selected at random but by using the criteria enumerated above. But the presence of bias is not always the equivalent of sin and the statistical bias that arises in selecting industries in this instance is, I believe, irrelevant to an investigation of the impact of the Antitrust Statutes.

However, two things are disturbing about the method of selection. The first is the absence of any evaluation of the classification "industry" as employed by the census. This easily could have been accomplished by reference to the extensive literature which deals both empirically and theoretically with the problem of adequately defining an industry. Far more damaging is the failure to use, at least as a first approximation, the usual method of industrial market classification — competitive, oligopolistic, etc. — as the basis for internal organization and evaluation. The absence of this method of ordering material results, for example, in placing the chapter on Automobiles between the chapters on Bituminous Coal and Cotton Textiles. The vast differences in these three industries, in the nature and level of their technology, the structure of firms, the problems of management, and of marketing, finance, etc., makes it particularly difficult to make a consistent evaluation of the impact of the antitrust laws.

Without the unifying force of a market structure classification system, we are left with twenty separate essays. Individually these essays are all interesting. However, in the bulk of their content, they do not add anything new and they are not significantly different from similar chapter-length industry studies done for textbooks. (For example, W. Adams in *The Structure of American Industry* covers nine industries which are included in *Antitrust Policies*.)

While space does not permit an evaluation of each industry study, some comment may be made on the summary chapters, and in general these comments should be taken as applying to the specific industry studies.

The author tends throughout to generalize far beyond what one could reasonably say on the basis of the evidence presented. Instead of useful limited statements about the impact of the antitrust laws on business decision-making and the structure of various industries we find numerous sweeping conclusions such as the following:

> Dissolution under the antitrust laws has, then, served a useful function in some instances, by shortening the period needed for competition to assert itself against an original near-monopoly; but it has not achieved, and has not seemed likely to achieve, valuable results when used in oligopoly situations. (Vol. II, p. 390.)

> Although the increasing difficulty of entry has lessened one competitive protection to consumers, there is a compensation: the same development that reduced entry has raised productivity. (Vol. II, p. 408.)

Assertions of this type based on inconclusive evidence are not useful in arriving at policy recommendations and they detract seriously from the analytical value of the book.

Another aspect of the carelessness in presenting general conclusions is the inadequate handling of two basic issues, the thorny relationship between size and efficiency and the question of basing point pricing. For example, the author discusses the advantages of size at some length in the automobile chapter (Vol. I, pp. 472–476) and in the summary chapter he asserts:

> In five [industries studied], the trend has been toward concentration. This is strikingly true for passenger automobiles, owing to economies of large size. (Vol. II, p. 404.)

No one will dispute the presence of economies of scale in many dimensions of the auto industry — manufacturing, marketing, research, etc. However, at no time does the author specifically grapple with the issue of what the limits of these economies are and at what point should antitrust policy be directed toward the restriction (if, indeed, any restriction should be imposed) on further firm growth. A detailed analysis of the specifics of the economies problem would also have helped avoid an implicit confusion that runs through the text between advantages that are real in the sense of being beneficial to the entire economy and advantages of size that accrue solely to the benefit of the firm.

Furthermore, because of the overlap between the coverage of *Antitrust Policies* and a recent study by Bain, it would have been possible to shed some light, at least in a preliminary fashion, on the relationship between profit rates, industrial concentration, and antitrust activity. (Fourteen of the industries studied are included in some form by Bain: J. S. Bain, "Relation of Profit Rate to Industry Concentration: American Manufacturing, 1936–40," *Quarterly Journal of Economics* [August 1951]).

The basing point system is discussed, at some length, in connection with five of the industry studies (Steel, Cement, Corn Refining, Cast Iron Pipe, and Tin Cans), and a discussion of the implications of the various possible basing point arrangements is also included (Vol. I, pp. 281–287). However, the basing point discussion is not extended to include the effects of other forms of price discrimination, especially the kind of discrimination — which may be far more damaging from a competitive point of view — i.e., bulk purchasing. Further, there is no attempt to ascertain the effect of a basing point pricing system on profitability in the various industries where it has been employed.

A more positive note is that these criticisms serve to point up the suggestiveness of the industry-by-industry approach to the problem of analysis of the performance of American business. In certain industries, antitrust considerations have had an increasingly heavy impact on business decision-making. (For example, Vol. I, pp. 224–225, 291; Vol. II, p. 235.) At the same time, recent studies in the field of industrial organization

have indicated some of the relationships between the structure of an industry and business performance. What is needed are bold attempts to integrate the structural determinants and restraints of the economist and the legal restrictions of the Antitrust Statutes with the broader social and psychological conditioning of business decision-making.

Finally, it should be pointed out that the viewpoint and orientation of these volumes are different from the earlier ones in this series. Mr. Whitney's position on the monopoly question is quite different from those who preceded him at the Fund (G. Stocking and M. Watkins) or from such other proponents of vigorous antitrust action as Corwin Edwards or Walter Adams. He is quicker to defend business practices as necessary for firm operation and he tends to be more confident than many authors about the beneficial effects of interindustry (so-called structural) competition.

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COMPANY AND COMMUNITY: CASE STUDIES IN INDUSTRY-CITY RELATIONSHIPS. ***By Wayne Hodges. New York, Harper & Bros., 1958. Pp. x + 360. $4.50.***

Reviewed by James Soltow
Harvard University

The central theme of this book is the development of an organized, positive approach by business to the problems of the community in which it operates. Business leaders of the late nineteenth century "ran their businesses and gave their charity as they pleased." In a community characterized by primary group relations, members of the community derived their impressions of business from personal acquaintance with business leaders. The urban community of the mid-twentieth century, though, has proved to be too complex for the older, personal, unorganized ways to create a favorable impression of business.

Professor Wayne Hodges of the New York State School of Industrial and Labor Relations at Cornell University, has focused on several problem areas: urban growth, support of local charity, schools, air and water pollution, labor relations, and attraction of new industry. The author developed the case studies out of the experience of Syracuse, New York, within the last decade, but he has summarized for comparison available data about other communities. (Each chapter dealing with functional topics is divided into two parts, one treating the "Syracuse case," the second including other pertinent material.)

This brief review can cite only a few examples of the data set forth by Professor Hodges. Concluding in the early 1950's that increased employee donations and corporate gifts to support local charities "could be better achieved by expert fund-raisers and top-level management men than they could by welfare workers and a miscellany of service-minded citizens," Syracuse business leaders organized United Fund drives and adapted some of the "hard-sell" techniques from marketing to the solicitation of funds. (If an individual rated as a "big-gift prospect" were "obligated or indebted to the solicitor" assigned to call on him, so much the better.) To obtain a source of supply of needed skills for industry,

business found it necessary to support vigorously the construction of new schools. In times of controversy with labor unions, management became alert to present its case to the public. The Chamber of Commerce and other business-backed organizations have actively aided companies to locate plants in the Syracuse area, but as Professor Hodges notes, the local Chamber, before undertaking to help Sylvania to find a site, "consulted General Electric to see if there would be objections for labor market reasons." Most significantly, business has directed considerable attention to the development of techniques to reach different levels of community opinion.

How effective have the new, formal community relations programs been? Professor Hodges, as something of a "pro" in this field, is naturally enthusiastic about the possibilities of creating a better business climate through positive efforts by management. He concludes that "the 'old family', locally-owned company," which has sought "to maintain a feeling of closeness with employees," is "slipping in community reputation, particularly in the face of the communications competition of the companies in the area which are heavily staffed with communications professionals." Yet, in an appendix which outlines some of the community relations programs of Syracuse companies, Professor Hodges notes that "some locally-owned companies have better community acceptance than some branch plants of big companies do" because of the way in which the former can establish their relations with the community "in an aura of the intimate." For example, a locally-owned machine tool firm, with a profit-sharing plan, keeps its "associates" (i.e., employees) informed about the details of company affairs. Thus, "when you talk to a man who works there you are talking with a man who knows, and with one who is interested in telling you about his company." Although the author emphasizes the techniques utilized in community relations, one could conclude from the data presented that frankness in disclosing information about operations is at least as important in creating a favorable impression on the part of the community.

The story unfolded here is a part of the larger one of the changing relationships between business and the general public. In an earlier era, businessmen were accepted with little question as community leaders. Over the course of the twentieth century, though, business has increasingly been challenged to justify its *raison d'etre*, not only on the basis of economic performance, but also in terms of other types of service to society. No longer can business afford to hide its light under a bushel marked "secret." Community relations may well be one of the most important functions of business in today's democratic society, as the author infers, for it is here that the public seems to get its deepest impressions of the business system. Thus, Professor Hodges' study is welcome for the light which it throws on the development of business-public relations at this "grass-roots" level. The author makes little effort to place the situations which he describes within the larger patterns of the social and economic history of twentieth-century America, but he does adequately analyze the immediate circumstances surrounding developments in each of the areas which he has selected for study.

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AMERICAN AUTOMOBILE MANUFACTURERS: THE FIRST FORTY YEARS. *By John B. Rae. Philadelphia and New York, Chilton Company, Book Division, 1959. Pp. xii + 223. $6.00.*

Reviewed by Thomas C. Cochran
University of Pennsylvania

American scholars have not been attracted by industrial history. In spite of its national importance and dramatically rapid growth there have been no detailed scholarly studies of the automobile industry as a whole in the last thirty years. John Rae's book, as the title indicates, is focused chiefly on the entrepreneurs and is brief rather than detailed. In general, financial arrangements and changes in management are described, but developments in technology, design, and marketing are alluded to only occasionally. This is not a valid criticism of the book because an author has a right to confine himself to his particular interests. My complaint is rather a lament that Professor Rae, having gone this far, did not choose to go further.

In the areas selected for discussion the author has not only synthesized the older work of Epstein and Seltzer and the newer study by Nevins and Hill, but has added many clarifying observations of his own. He emphasizes the slow spread of more advanced French and German technology to the United States, a matter easy for Americans to forget. More than in previous books, he shows how the industry was originated by men from machine shops and the bicycle, carriage, and wagon trades and was influenced by the practices of these industries. In so doing, proper importance is given to the role of Albert A. Pope and his Hartford shops.

The importance of Detroit bankers in building the industry in southern Michigan is minimized. "Upon close analysis it becomes quite clear that the location of the automobile industry was to a considerable degree determined by factors of personality and business leadership" (p. 48). But the industry is shown to have had more early dealings with investment bankers than is commonly supposed. The effect of the Seligman-Lee, Higginson syndicate on the progress of General Motors from 1910 to 1915 is reassessed. James J. Storrow of Lee, Higginson and Company, who took charge of General Motors, is held to have been, "a man of vigor and imagination, whose contribution to General Motors has not received the recognition it deserves." While under the Storrow regime General Motors grew more slowly than the rest of the industry, if Ford sales are deducted from the total, G.M. outstripped the remainder.

Major factors leading to change in the industry, such as the introduction of time payments by Chalmers, Overland, Maxwell, Paige and Studebaker in 1916, or the rise of the used car market in the twenties are noted, but in general the accounts are too short to cross the threshold between narrative and analysis. For example, the story of the decline of small producers in the twenties is told, but the reasons in terms of costs and marketing are not satisfactorily explored. As Professor Rae intended, the emphasis is always on men rather than situations. Yet, in trying to cover so many major and minor figures, the men usually have to be treated too briefly to acquire character and substance.

In a very few instances I would dissent from Professor Rae's con-

clusions. For example, I think it debatable that "In terms of improvements of the vehicle itself — free wheeling, overdrive, automatic transmission, diesel power for trucks — the decade of the 30's was well ahead of the 20's" (p. 191). Gum dipped cord and low pressure in tires plus four wheel brakes alone seem to make a strong case for the twenties. Possibly the Franklin Company failed more because Americans wouldn't pay a relatively high price for a light, medium performance car than because its cooling system was bulky (p. 192). Volkswagen has demonstrated the practicality and popularity of air-cooling. But no writers are ever in complete agreement, and Professor Rae's study indicates sound and careful scholarship applied to a limited range of objectives.

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GESCHICTE DES GEIGY-UNTERNEHMENS VON 1758 BIS 1939.
By Alfred Buergin. Basel, 1958. 2 vols.

Reviewed by Paul J. Meier
Clarkson College of Technology

The two-volume history which the house of Geigy has published to record "Two Hundred Years Geigy" sets out with a description of the modest beginnings of the druggist Johann Rudolf Geigy in April, 1758. This first stage in the business' development is represented by the storekeeper, who learned his job possibly without apprenticeship, became a master in his own right, joined the guild, and operated his wholesale business in conjunction with retailing. As a small businessman, he owned the capital, managed everything, and was the chief workman. The merchant worked in three spheres: the first was the business of the town, the second the government of the town, and the third the humanistic and scientific culture of the town. Putting it all together, he constituted urban civilization.

The next epoch, tinged with the breakthrough of liberal ideas, brought under Carl Geigy a wider market than the small businessman was able to meet. During the firm's mercantile period, trade widened with the concentration on dyestuff sales, capital investments increased when the company was incorporated, and control as well as policy-formulation showed an unprecedented growth with the establishment of crude though adequate bookkeeping. The central figure was the sedentary merchant, whose distant connections were maintained in 1846 by forty-three agents, traveling or resident.

The mercantile epoch of the firm gave way to the industrial epoch when the key to business lay more in manufacture and transportation. Shortly after W. H. Perkin had prepared artificial aniline purple in 1856, Geigy started the industrial production of aniline dyestuffs. In 1881 already over 20 per cent of exports were distributed in extra-European countries. The new industrial chemists were specialists. With the specialization went increasing size. The old scattered, flexible, almost invisible mercantile regime was giving way to a concentrated and strikingly prominent industrial unit.

Rudolf Geigy-Merian had been the last representative of the trading company and of the family business. The end of the nineteenth century

saw industrial market conventions, the beginning of trade unionism and factory legislation, as well as the transformation of the business into a limited company (1901). Competition began, more and more, to lead to periods of diminished profits, which in turn called for product rationalization and integration.

The new industrial organization had two elements of strength: production and marketing. Manufacturing operations were supported by a series of discoveries of importance, some of them linked with the names of eminent collaborators of the firm. Distribution was promoted by the opening of plants abroad; 1890 in Russia, before the Great War in France, Austria, Germany, and the United States.

The catalytic influence of the Great War on the national chemical industries, the production overcapacity in its wake, and the rise of protectionism demonstrated the need for closer collaboration within the Swiss chemical industry, as well as with international competitors. At the same time, product diversification, which had in 1859 initiated the first period of strong growth, brought the second decisive turn: the development of insecticides and pharmaceutica. The number of research chemists rose from 33 in 1929 to 80 in 1939. New plants were opened in Basel's outskirts: Schweizerhalle, Grenzach (Germany), and Muningue (France). Activities in the United States, Great Britain, and Italy were consolidated. J.R. Geigy S.A. was a world-wide concern with 95 per cent export sales when the Second World War broke out.

The second volume tells Geigy's current history, its structure and organization, its international activities. It contains valuable statistical tables and an impressive pictorial presentation of the Basel parent concern, together with an appendix listing its products.

The period from 1939 to 1945 saw the temporary dwindling away of export markets in a war economy with rationing and production bottlenecks. In view of a future commercial exploitation, research was particularly intensified in the pharmaceutical, industrial chemicals, textile improvement, and insecticides departments, and new subsidiaries were founded abroad in Sweden, Spain, and Portugal.

Protective tariffs and financial restrictions after the war brought about a change from distribution through agents to operating subsidiaries. Existing organizations in the United States and in Great Britain were reorganized. Unattractive divisions, such as roadbuilding materials, were liquidated. The postwar period of rapid expansion up to 1952 taxed the financial resources of the parent concern to the utmost. The affiliated companies laid claim to its resources without immediate returns. Geigy had increased its capitalization in 1947, when twelve new subsidiaries had been created in less than two years.

By 1952, when the most recent foreign subsidiary was opened, the operating and exporting enterprise J.R. Geigy, S.A. had become a complex international concern in the process of consolidation. The parent concern had been emancipated from the dependence on dyestuffs by the new importance of pharmaceuticals, insecticides, and industrial chemicals. Presently, Geigy operating companies outside Switzerland are active in France, Germany, England, Italy, Spain, the United States, Canada, Brazil, Argentina, South Africa, India, and Australia. Trading

companies work in some markets where the opening of production facilities is not indicated.

The second volume closes with a chapter on disciplines which the small businessman Johann Rudolf Geigy had initiated two hundred years ago, though in different proportions. "The Business of the Town" is today the firm's relationship to the economy at large, its position as a producer, consumer, employer, and taxpayer. J.R. Geigy, S.A. thus contributed in 1956 more to the fiscal revenue than it disbursed in dividends. "The Humanistic and Scientific Culture of the Town" has become the firm's relationship to scientific publicity, its support of research bodies, such as universities, academies, and similar institutions for the promotion of the sciences and the humanities. One of the possible rewards is expressed in the patentability of 60 inventions in 1956. "The Government of the Town" means now the firm's relationship to society and the state in national as well as international respects, the business' integration in the community of economic man.

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HYDROELECTRICITY AND INDUSTRIAL DEVELOPMENT: QUEBEC, 1898–1940. ***By John H. Dales. Cambridge, Mass., Harvard University Press, 1957. Pp. xii + 269. $5.00.***

Reviewed by Vincent Jolivet
University of Washington

Essentially this book is a study of the significance of hydroelectric power to economic growth. It deals with industrial development, the economics of energy, and the economics of location. As Professor Abbott Payson Usher remarks in his foreword, however, "The long-range problems of economic change are not happily approached through current theoretical models. The space dimensions of the economy are almost completely ignored. The time dimensions are arbitrary, incompletely specified, and inadequate for concrete historical analysis. . . . The time dimension of the economy is notably, but not exclusively, associated with the emergence of new patterns of social and entrepreneurial action; new concepts in the sciences and in law; and the diffusion of these various novelties." In studying hydroelectricity and industrial development, Professor Dales heeds Professor Usher's words by writing business histories of the major hydroelectric producers in the Province of Quebec. These are "capsule" business histories (the longest is but fifty pages long), but they are interestingly written, revealing, well documented, and provide a most interesting contrast between the two principal companies, the Shawinigan Water & Power Company and the Montreal Light, Heat & Power Company. As the author remarks early in the book, "It is entrepreneurial policy, not price, which becomes the nerve center of the hydroelectric industry."

The Shawinigan Water & Power Company obtained its charter in 1898, enabling it to develop the enormous power potential of Shawinigan Falls on the St. Maurice River, the rights to which had been acquired a few months earlier by a group of New England capitalists with the aid of Canadian men of affairs. The promoters faced tremendous problems.

Construction of the huge hydroelectric development presented major engineering challenges in a relatively new field; the falls are located in rugged and, then, inaccessible country twenty-five miles north of the St. Lawrence River; the financial problems of raising capital for such an enterprise are self-evident; and even the solution of these problems would leave the company with almost no market for its power. The man who led the new company through these problems was an ex-vice president of the Puritan Trust Company in Boston, J. E. Aldred, who showed an appreciation of business history when he said, "What we have done in Canada is but an imitation of what the Lowells and the Lawrences did years ago when they went to the Merrimack and there developed power, took up town sites, created industries to use the power, and finally made the Essex Company and similar concerns known among the most valuable companies in New England."

The technological excellence which overcame the initial engineering problems has characterized the Shawinigan Company since that time. It pioneered in the long distance transmission of power, laid the first submarine cable across the St. Lawrence, and to this date (1959) has developed seven major power sites on the St. Maurice River, making it probably the most efficiently developed river system in the world and at the same time making the Shawinigan Company one of the world's major producers of hydroelectricity. The initial marketing problems were solved by attracting an aluminum producer and a pulp and paper company to Shawinigan Falls (the name of the city on the original site), and by selling power to the Montreal Power Company. Shortly thereafter, a carbide company was set up in Shawinigan Falls, the nucleus of the large present-day chemical industry operating under the name of Shawinigan Chemicals, which is a wholly-owned subsidiary of the Shawinigan Water & Power Company. The severity of the depression of the 1930's was alleviated by the sale of enormous amounts of secondary power for use in electric boilers installed mainly in pulp and paper mills. The Second World War brought tremendous increases in the demand for power, and the demand of Shawinigan's traditional customers has continued to grow since the war. Increased electrification of homes has led to a profitable retail market, and the inauguration of the Quebec Iron & Titanium Company in 1953 added significantly to the company's markets. In the words of the author, "the Shawinigan enterprise has been an exemplary technological leader, an imaginative and aggressive business concern, and the main source of electrical supply for the province . . . by supplying power to the Montreal Light, Heat & Power, Shawinigan has supported the growth of the metropolis and main manufacturing center of Quebec . . . it has organized the power supply of a large part of the province and provided electricity for general purposes. . . . Finally, the most striking aspect of the Shawinigan enterprise has been its direct promotion of manufacturing development in the province."

The Montreal Light, Heat & Power Company is a contrast to the Shawinigan Company in practically every way. It was formed in 1901, not to develop a power site, but as a consolidation of existing gas and electric companies in Montreal. Throughout its life, it dominated this large urban market (Montreal is Canada's largest city). Formed by a

group of financiers, the Montreal Company met the first challenge to its dominant position by purchasing a strong new rival company in 1903. Unlike Shawinigan, the Montreal Company did little building of its own, but instead acquired most of its power stations from others and in addition purchased much power from the Shawinigan Company. It neglected to harness the immense power of the St. Lawrence River at its doorstep. When another, more aggressive entrepreneur finally undertook this task in 1930, the Montreal Company parried this threat to its position by purchasing large amounts of the new development's power, and through financial strategy it acquired the potential rival as a subsidiary in 1937. Unlike the Shawinigan Company, the Montreal Light, Heat & Power Company seems to have done little or nothing to stimulate industrial growth, it was technologically undistinguished, and it appears to have spent much of its energy in the political and financial arena in a constant effort to protect its bailiwick from the competition of others. It is perhaps not surprising that in 1944 the company was expropriated by the provincial government and is now called Hydro-Quebec. It would be interesting to see a sequel to this book in 1965 or 1970 examining the impact of a government-owned company on industrial growth, and comparing it with the Shawinigan Company, which continues to grow as a privately-owned concern.

The Southern Canada Power Company, a smaller concern serving small manufacturing towns south of the St. Lawrence, and three power companies on the Gatineau and Saguenay Rivers providing power for a few large customers in the pulp and paper and the aluminum industries, complete Professor Dales' study of hydroelectric companies in Quebec. The author has wisely preceded the histories of the firms by a short history of the early developments of the central electric station and a broad survey of the industry in the Province of Quebec.

Professor Dales' conclusions are most interesting. He points out that where hydroelectric enterprises have been built in response to "guaranteed" markets, their significance in the growth of a diversified manufacturing economy in Quebec has been either indirect or passive. On the other hand, where power enterprises have been built in advance of markets, the firms themselves have directly and actively encouraged the development of a wide range of manufacturing activities in their areas. Another conclusion is that, ". . . a region where water power is in great supply, but fuels are not, will be able to attract the electroprocess industries and those industries requiring only small amounts of heat in their production processes. . . . If the water-power area has a moderate supply of fuels available, however, it will probably be able to compete with coal areas over a fairly wide range of light manufacturing industry."

Although not a business history in the conventional sense (such as, for example, *Kilowatts at Work, A History of The Detroit Edison Company*), *Hydroelectricity and Industrial Development: Quebec 1898–1940* should be of interest to all business historians. Professor Dales' work is a valuable blend of business history and the economics of location and industrial development. In an age when atomic power is in its infancy, his conclusions merit serious consideration.

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DEVELOPMENT OF COMPREHENSIVE INSURANCE FOR THE HOUSEHOLD. ***By John Eugene Pierce. Homewood, Illinois, Richard D. Irwin, Inc., 1958. $5.00.***

Reviewed by Harris Proschansky
Bronx, New York

Advances in marketing have contributed in no small measure to the growth of important American industries. Examples of such marketing advances are provided in the volume under review. Describing the evolution of an insurance policy to provide in a single contract all of the different kinds of property and liability insurance needed by the homeowner, John Eugene Pierce is concerned with deriving the more important principles of the integrative process which produced such comprehensive policies. The author succeeds in his aims, and produces a work which illuminates the impact that advances in marketing have had on the vital and expanding American property and casualty insurance business.

Comprehensive insurance, in the words of the author, is defined as "a property or liability policy which covers inseparably the principal hazards affecting a given area of exposure, omitting or excluding relatively few, and approaching completeness with respect to that area. The expression is usually reserved for the kind of policy which employs a single insuring clause to assume all hazards except those specifically excluded, but it may be applied also to a policy which covers a wide variety of listed hazards as a unit." (P. 3.) Comprehensive insurance, according to Pierce, has been attained through "a gradual process of integration characterized by the broadening of insuring clauses, omission of exclusions, and combination of previously separate coverages to form policies of growing scope, completeness, and cohesiveness." (Pp. 3–4.)

While this study is not intended to comprise a history of property forms of insurance, it does contain valuable historical material. There is a detailed description of the steps by which property and liability insurance for the household have been simplified and made more inclusive. Only a few decades ago, an individual desiring to provide for the property and liability insurance needs of his household had to obtain numerous policies and endorsements. At present, by the use of not more than one or two broad policies, the homeowner has insurance which is much more complete than that provided in earlier years through the combination of a score of narrower forms.

Mr. Pierce traces the numerous stages in the background and development of the Personal Property Floater, the Comprehensive Personal Liability Policy, the Combination Automobile Policy, and the fire policy with comprehensive dwelling forms. Especially interesting is a description of the manner in which coverage of these policies has been extended in recent years to form the Homeowners Policy, the Comprehensive Dwelling Policy, and other contracts which integrate the various kinds of property and liability insurance needed by typical households. In the final chapter, the author expatiates on the theory and techniques of integration, the problems arising from the development of comprehen-

sive insurance, and its general impact on the property and casualty business.

The author is of the opinion that the integration of insurance coverages has resulted from factors making for standardization and integration in many other areas of the American economy. With technological advances have come many new perils. To effect successfully a new step in the integrative process, a relatively large number of persons must have a realization of need for broader insurance protection. Public communication media and numerous other influences which condition property owners to the acceptance of multiple-peril insurance are of importance in the process of creating need.

The greatest single force leading to the development of comprehensive policies the author deems to be the intense competition among companies and among classes of insurance. This competition has resulted in progressive product improvement. Other factors making for integration are the improved knowledge and capacity of the companies, the economies arising from integration, and the desire to avoid adverse selection.

In any study of marketing and its role in the growth of American business, one must examine, in more or less detail, its influence on organizational structure and its role in shaping forms of business organization. The volume under review is of value in this connection. Integration of insurance coverages has led to increased cooperation among departments within a company, and among companies, underwriters' associations, rating bureaus, and service organizations. It also has tended to make it necessary for many companies to expand the scope of their operations.

The volume is copiously annotated. It has an extensive bibliography of use to both the general reader as well as to the specialist.

One cannot do justice, in a brief review, to the painstaking research on which this work is based. The volume is comprehensive in its coverage, incisive in its analysis, and judicious in its conclusions. It sheds much light on the influences exerted by the development of comprehensive insurance on the American property and casualty business. Business historians interested in the history of marketing in America will find this a rewarding and useful study.

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GULBENKIAN: AN INTERPRETATION OF "THE RICHEST MAN IN THE WORLD." ***By John Lodwick, in collaboration with D. H. Young. Garden City, New York, Doubleday & Co., 1958. Pp. vii + 289. $4.00.***

Reviewed by George S. Gibb
Harvard University

In my review of Hewins' *Mr. Five Per Cent* (*Business History Review*, Summer, 1958), I made what subsequently proved to be a rash prophecy. After enumerating what seemed to me to be serious deficiencies in that "official" biography of Oil's most fabled mystery man, I concluded, "Worst of all, the biography presumably closes out the Gulbenkian record, as far as family sources are concerned."

In a matter of weeks, however, a new book, the subject of the present review, was being advertised. Though hardly "official" (the family, in fact, appears to have taken an exceedingly dim view of the additional literary exposure), this second Gulbenkian biography is based on sources that were probably more valid and certainly more objective than those utilized by Hewins. Author John Lodwick opened a mine of information by the act of constituting himself the mouthpiece for D. H. Young, Gulbenkian's long-time confidential secretary.

An incredible chronicle emerges, one vastly more appealing than the Hewins book and rather more valuable, though no less fragmentary. Lodwick, a masterly writer with a fine sense of the dramatic, keeps the narrative on a high plane of interest. He touches everything fleetingly, with much recourse to suggestion and innuendo and little respect for the wishes and needs of the historian. Even so, a few more pieces of the puzzle are put into place.

For the historian there are intriguing hints of Venezuelan and Russian negotiations. Nothing is positive, much less documented, but the Lodwick-Young evidence is at least suggestive. The most positive contribution appears to be the information about Gulbenkian's relationships with Senator Berenger, of France, and Tyrell, of the British Foreign Office. Again, proof is not forthcoming, but the testimony of Young tends to verify Gulbenkian's own much-maligned Memoires.

There are errors and a bias of viewpoint that make one think of that earlier chronicler of oil intrigue, Francis Delaisi. Lodwick has so imperfect a view of the details of American oil history as to suggest that he, like Hewins, neglected any intensive perusal of the literature. Still, like Delaisi, Lodwick appears to have an intuitive grasp of broad developments that at times brings him close to Truth and lets him set it forth with considerably greater force and simplicity and clarity than is possible in a more conventional kind of historical appraisal. Best of all, Lodwick provides real insight into Gulbenkian's business methods and philosophies, revealing him as an instinctive rather than overtly logical strategist.

On the other hand, the Lodwick-Young account is almost impossibly disconnected — a collection of personal vignettes, really. There is no new information of importance about the formation of the Turkish Petroleum Company or the Royal Dutch-Shell, and Lodwick is disappointingly vague about the entrancing Gulbenkian-Deterding feud. Neither has Lodwick extracted from Young any significant information about Gulbenkian's role in the negotiations of the Redline Agreement for the opening of Iraq in the 1920's.

The volume raises broad, if entirely academic, questions of methodology. Out-and-out journalists can breathe refreshing life into the stodgy pages of history, but the cost of this entertainment is clearly high. While acknowledging the contribution Lodwick has made, I cannot refrain from expressing great regret that a qualified historian was not at hand to obtain from Young the detailed information that would unquestionably have created important new chapters in the history of international oil.

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BASIC HISTORY OF AMERICAN BUSINESS. ***By Thomas C. Cochran. Princeton, New Jersey, D. Van Nostrand Company, Inc., 1959. Pp. 192. $1.25.***

Reviewed by William Miller
Ridgefield, Connecticut

To write in 100 pages of the conventionally sized paperback book the history of American business from the time of "the business of colonization" to the time of potential colonization of the moon is indeed a formidable task. To some it would appear an unenviable undertaking; to others an impossible one. The Van Nostrand Company showed real business horse sense in approaching perhaps the best man in the country to produce this "Anvil Original," No. 39. Professor Cochran, President of the Economic History Association, has certainly brought it off. In addition to the 100 pages of text, this volume contains an additional nearly 100 pages of Documents and a reading list for further study. As illuminating as his text is, the extraordinary freshness of Professor Cochran's selection of Documents gives this volume a special élan and a special suggestiveness even to *afficianados* of the field.

As frequently as economic histories of the United States have been written — by economists and historians alike — and as voluminous as the histories of particular business firms have in late years become, histories of American business as such have been few and far between. Professor Cochran, who knows the difference between economics and business from much first-hand experience with the latter, has concentrated almost exclusively on business as against economic history — to the great advantage of his work. Men and institutions not aggregates and trends lie at the heart of his narrative; trade and distribution — often neglected subjects — get significant attention along with the more familiar technology, manufacturing, and finance. Professor Cochran's easy mastery of his material is manifested most appropriately in his success in keeping the whole business world constantly in view while discussing special subjects, special areas, special personages. The simplicity of his narrative effectively obscures his theoretical grasp, but student and scholar alike will find himself returning frequently to this handy, inexpensive volume to discover the essence of the many facets of American business life distilled from the author's experience, knowledge, and judgment. The Documents, in turn, will set others reading more widely in sources they may ordinarily have missed.

This work is perhaps no better than one would expect from Professor Cochran. Which is simply another way of saying that for all its brevity and simplicity it is probably the best history of American business extant.

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RAILS, MINES, AND PROGRESS: SEVEN AMERICAN PROMOTERS IN MEXICO, 1867–1911. ***By David M. Pletcher. Ithaca, New York, Cornell University Press, 1958.***

Reviewed by Lance E. Davis
Purdue University

By writing a comparative business history, Professor Pletcher has at-

tempted to explore an area that must be mapped if the study of entrepreneurial behavior is to reach the level of abstraction attained by the traditional body of economic theory. In addition, by producing an historical study of the economic penetration of an underdeveloped country, he has tried to provide policymakers with some clue to the solutions of certain contemporary problems.

As the title suggests, Professor Pletcher has limited his study to a single country in a single era and to the two industries that absorbed 85 per cent of the total post-bellum American investment. The reader may wonder if the conclusions are applicable to any other time, place, or circumstance; moreover, he may be further troubled by the breadth of the generalizations deduced from the experiences of only seven individuals. Small, limited samples, however, are better than no samples; and, given the state of the historical materials, it is doubtful if any more extensive survey will ever be completed. In addition, the author has found indirect evidence that indicates the experiences of the seven were probably fairly typical of the experience of other American promoters, at least in nineteenth-century Mexico.

The seven (they include a retired Civil War general, a retired President, an active Utopian reformer, a city political boss living under a cloud of legislative investigation, an ex-cowboy, a railroad tycoon who hated Wall Street, and a retired foreign service officer) share one common trait — none was trained or experienced in the field of foreign investment. Thus, all were to some extent innovating entrepreneurs, and their experiences should offer a useful basis for generalization. The topic the author has chosen is pioneering and promising of great rewards; the method of study selected — the comparative case study — although not perfect, is interesting, and, given the materials, probably the best available. However, despite the pathbreaking effort, the book is a disappointment.

Professor Pletcher argues that the enterprises launched by the seven were not very profitable, and the reader is left with the implicit conclusion that private foreign investment is probably not very profitable. If the seven are representative, and if the future is like the past, then the general conclusion would follow; but questions of representation and prediction aside, the author has not built a convincing case for the lack of profitability (to some one) of the seven enterprises. Such a conclusion must rest on two assumptions: first, that the investors earned a rate of return lower than that available to them in alternative investments; and, second, that the entrepreneurs themselves did not profit from their activities. Although the author's arguments are fairly convincing on the first question, he does not provide the rigorous proof his material would apparently permit. On the second question he is entirely unconvincing. Although Professor Pletcher has shown that none of the seven amassed a lasting fortune in Mexico, proof of his contention would entail a comparison of the incomes actually earned in Mexico with the promoters' opportunity costs.

A similar lack of rigour is obvious elsewhere in the book, and it appears that Professor Pletcher's study lacks a theoretical framework capable of analyzing the questions he sets out to answer. The author fre-

quently fails to pursue questions of considerable importance to his central theses, while expending great effort on questions that are largely irrelevant. For example, one searches in vain for an explanation of a particular entrepreneurial decision or for an analysis of the causes of the failure of the seven ventures. At the same time, eighteen pages are devoted to a study of the philosophy, structure, and failure of the cooperative community established by Albert Kinsey Owen, and 40 per cent of the chapter on William C. Greene is given over to a detailed account of the miners' strike of 1906 and its aftermath. Subsequent discussion indicates that the success or failure of Owen's railroad did not depend in any important way upon the collapse of the cooperative community; and, although the miners' strike was a moderately important event in the history of Mexican-American relations, it hardly seems to warrant so much attention in a study of Greene's activities. If the author had employed a tighter analytical framework, these events would have been relegated to their proper place and attention kept focused on the primary issues.

Despite these criticisms, Professor Pletcher has written one of the first comparative business histories. If his work encourages others to write in a similar vein, he will have been responsible for a major breakthrough in the discipline.

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THE PUERTO RICAN BUSINESSMAN: A STUDY IN CULTURAL CHANGE. ***By Thomas C. Cochran. Philadelphia, University of Pennsylvania Press, 1959. Pp. 198. $5.00.***

Reviewed by Sanford A. Mosk
University of California, Berkeley

Because of many striking features, Puerto Rico's economic development has attracted widespread attention in recent years. For the most part, although not entirely, observers have concentrated on new developments, on rates of expansion in various components of the economy, and on government policies designed to attract mainland capital and to speed up the transformation of Puerto Rico from an agricultural to an industrialized country. It is important to appreciate what has been accomplished in a handful of years. It is equally important that we should not allow this emphasis on the current situation to distort our understanding of the process of economic development, whether in Puerto Rico or any other country. We must always try to gauge the extent to which older institutions persist and how they influence the course of change, because it is precisely in the relations between the old and the new that some of the keenest problems are likely to arise in an economy where rapid development is being attempted by deliberate action.

Professor Cochran's study of the Puerto Rican businessman is thus a valuable contribution to our understanding of the Puerto Rican economy. It is a study in entrepreneurial history. Professor Cochran has concerned himself with the Puerto Rican entrepreneur, as contrasted with the mainland entrepreneur in Puerto Rico, and the central question he has set out to answer is whether long-established business practices and customs

have given way as a result of contacts with the mainland in the period since 1898.

To investigate this question, Professor Cochran conducted a survey by the questionnaire-interview method. Seventy Puerto Rican businessmen were interviewed. Forty of these were owner-managers in comparatively large enterprises, men of long business experience in the Island. The remaining thirty were younger men connected with manufacturing firms which had been started in 1940 or later. As regards business fields, the following were covered: retail trade, wholesale trade, light industry, heavy industry, and banking. Some entrepreneurs, of course, had interests in more than one of these fields, and were also involved in urban real estate and construction. The questionnaires, printed in an appendix, differed somewhat according to type and age of firm, but they were all designed to get information on the following topics: origins of the firm, mainland contacts, management practices, marketing methods, employee relations, government and public relations, and personal history of the respondent.

In addition to the questionnaires, Professor Cochran made use of the more conventional kinds of sources, such as business records, archive materials, government documents, and official statistics. He also had available a number of secondary accounts of economic and business affairs in the Island during the period of American control. To interpret his data required, of course, a knowledge of Puerto Rican culture and its Spanish roots. Here it was especially helpful for the author to have at his disposal the works of two cultural anthropologists — Julian Steward on the people of Puerto Rico, and John Gillin on Latin American culture — as well as the writings of the Spanish scholars Salvador de Madariaga and Americo Castro.

The general conclusion Professor Cochran arrives at is that Puerto Rican entrepreneurs have not been deeply affected by business contacts with the mainland. Recognizing that his sample of entrepreneurs was restricted to those who could be visited in the time available, and that there are inherent limitations to the questionnaire-interview method of gathering evidence, he states his conclusions in a cautious and qualified manner. The influence of mainland business methods has not been lacking, and it has been felt more in some branches of business than in others. Even where the influence is strongest, however, patterns of business behavior derived from the traditional culture have not been displaced, and the blending of the old and the new has given rise to something quite different from the mass of business firms we are familiar with on the mainland of the United States. The evidence brought out by Professor Cochran's investigation, therefore, points to the generalization that the offshoot of Spanish culture which developed in Puerto Rico has continued to exert a strong and persistent effect on the business community. Culture imposes its obstacles on accepting certain forms and practices of mainland business.

Foremost among these cultural factors is the Spanish concept of individualism, which fosters resistance to group pressure and group action. Where Spanish culture has left its print, the Organization Man is difficult to find. This brand of individualism has many other ramifications as well. It affects relations in business as in other aspects of life; for example,

relations between employer and employee, or between buyer and seller. It contributes, too, to what might be set down as a separate cultural trait, that of preferring personal to impersonal arrangements, with all the implications this has for a business system. Other cultural factors which Professor Cochran considers important in shaping attitudes among the business elite of Puerto Rico are the following: a strong sense of family solidarity and responsibility; and inclination to prefer social prestige to money; and small interest in technological change.

Even though Professor Cochran sets forth his conclusions in a tentative and preliminary way, he has made a fine contribution to the literature on Puerto Rico's economy. His study is moreover a suggestive one for what might be done in the republics of Latin America, or for that matter in any country where an effort is being made to speed up the pace of economic change.

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ALTGELD'S AMERICA, 1892–1905, THE LINCOLN IDEAL VERSUS CHANGING REALITIES. ***By Ray Ginger. New York, Funk & Wagnalls Company, 1958. Pp. 376. $4.95.***

Reviewed by Alfred D. Chandler, Jr.
Massachusetts Institute of Technology

At M.I.T., the American history course that once was a traditional survey now focuses more on men and issues. By reading what businessmen, farmers, politicians, intellectuals, and others were saying and doing, the student studies why and how different groups in society took positions on the changing situation, how they rationalized and justified their positions, how these definitions reflected common attitudes and values, and how these groups made the compromises essential to the continued existence of a nontotalitarian state. In this way, we hope the student will come to learn something about the history, economy, polity, and society of this country; of its underlying attitudes and values and how Americans have met past challenges and problems.

For the study of the American response to industrialism, we have often thought of using the story of Chicago. Its experiences, particularly at the turn of the century, reflect to an extreme degree much of what was going on throughout the United States. In these years, when the nation was becoming industrial and urban, Chicago grew from less than half a million in 1870 to a million in 1890 and close to 1.7 million in 1900. Industry expanded faster than population. This explosive growth shattered the old economic, political, and social ways and struck at the society's basic values. It created great problems, great opportunities, and provided a bountiful ferment of new thought and new action.

If Chicago does become the theme for the topic on industrialism, our students will certainly start by reading Ray Ginger's *Altgeld's America*. Here is a vivid, clear, excitingly written tale of the new city with all its enormous challenges and problems. All the major men of thought and action are there — the business titans, Swift, Field and Yerkes; the politicians, Carter Harrison and Johnny Powers; the political reformers, Altgeld and Darrow; the intellectuals, Dewey, Dreiser, Veblen and

Sinclair; the architects, Louis Sullivan and Frank Lloyd Wright; and the social workers, Jane Addams and Florence Kelly. Here, too, is the story of the Haymarket bombing, the Pullman strike, the Columbian Exhibition of 1893, and the extended conflict over franchises and municipal ownership of street railways.

In outlining these men and these issues, Ginger describes a fundamental conflict between two groups. On one side, the businessmen and their political lackeys are driving Chicago and the nation towards an impersonal, bureaucratic, assembly-line type of economy and society, one that violates the older values and is devoid of warmth and humanity. On the other, the reformers, political, intellectual and social, fight a valiant battle to bring the urban and industrial society into line with the older, more humanistic values. The battle, Ginger finally concludes, has been essentially lost. For today quick success, profit, bureaucratic empire building, and conspicuous consumption, have completely replaced the "more complex and humanistic goals of an earlier generation of reform."

As these comments suggest, the book's strength and weakness both lie in Ginger's strong sympathy with the reformers. "In the United States today," he asks, "where is the governor to rank with Altgeld? the social critic to rank with Veblen? the lawyer to rank with Darrow? the educator-philosopher to rank with Dewey? the social worker to rank with Jane Addams or a half-dozen of her associates? the novelist to rank with Dreiser? the architect to rank with Wright?" Such a commitment makes his pictures of these men and women convincing and effective. The reader comes to know them and their Chicago intimately.

But because of this commitment, *Altgeld's America* can only provide an introduction for the student. He will still have to ask and attempt to answer such basic historical questions as: Why did these developments come when they did and in the way they did? Why did the actors and thinkers define them in the terms that they did? Or just what is the relevence of these definitions and actions for our situation today? Or, simply, why did the reformers lose their battle, if they did? For while Ginger's study is a brilliant report, it is less than a penetrating analysis. Such analysis seems necessary if we are to have a less romantic and more realistic understanding of the past, and if the reading of history is to help us in meeting the very difficult challenges and problems of our own generation.

CONTENTS

(continued)

In this issue

BUSINESS HISTORY REVIEW

The Tempo of Mercantile Life in Colonial America

This study of the working habits of early American businessmen focuses on long-forgotten details that help clarify methods of the day and suggest that business in colonial times had not yet become an end in itself nor a dominant means for self-expression.

ARTHUR H. COLE

A Railroad for Turkey: The Chester Project

There was an interlude when enchantment with Dollar Diplomacy overcame the reluctance of Washington to become involved in Near East politics. The Chester project, however, was defeated by German imperialism, lack of popular support for business ambitions abroad, and vacillation by the promoters themselves. The time for effective alliance between the State Department and American businessmen was not yet at hand.

JOHN A. DeNOVO

The Premises of Business Revisionism

The Revisionist trend in American business history has been shaped by values, premises, logic, and procedure that bear certain striking similarities to Marxism, most clearly seen in the Revisionists' acceptance of the inevitability of abuse in capital accumulation.

GABRIEL KOLKO

The Development of Personnel Management in the United States

Personnel management as we knew it today grew out of welfare work, on the one hand, and Scientific Management on the other. It came to embrace added functions and concepts, the most important of which was that idealism and realism were compatible in dealing efficiently with human beings.

HENRY EILBIRT

Great Independent: The Lincoln Telephone Company

It was not in the nature of the local American entrepreneur to concede to monopolistic power. Technical competence, good controls, and appeals to local pride were potent weapons in the struggle of a small company to succeed in the face of competition with the giant Bell system.

WILLIAM D. TORRENCE

OVER THE COUNTER

Shop Talk — Johnson-Supple; Marketing History and Economic Development — Myers-Smalley; Business Ethics in Norway — Johs. Lunde; Colonial Newspaper Advertising — Steven J. Shaw; Marketing Nonconsumer Goods before 1917 — Arthur H. Cole

CENTENNIAL BIBLIOGRAPHY: Annotated Selections on the History of the Petroleum Industry in the United States.

WALTER RUNDELL, JR.

4

WINTER 1959

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HISTORY R

IN THIS ISSUE

ARTICLES SUMMARIZED ON BACK COVER

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BUSINESS HISTORY REVIEW

COVER: Gail Borden, Founder.

Courtesy The Borden Company

BUSINESS HISTORY REVIEW

CONTENTS

(continued on next page)

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VOLUME XXXIII, NUMBER 4 WINTER 1959

CONTENTS

(continued)

BOOK REVIEWS

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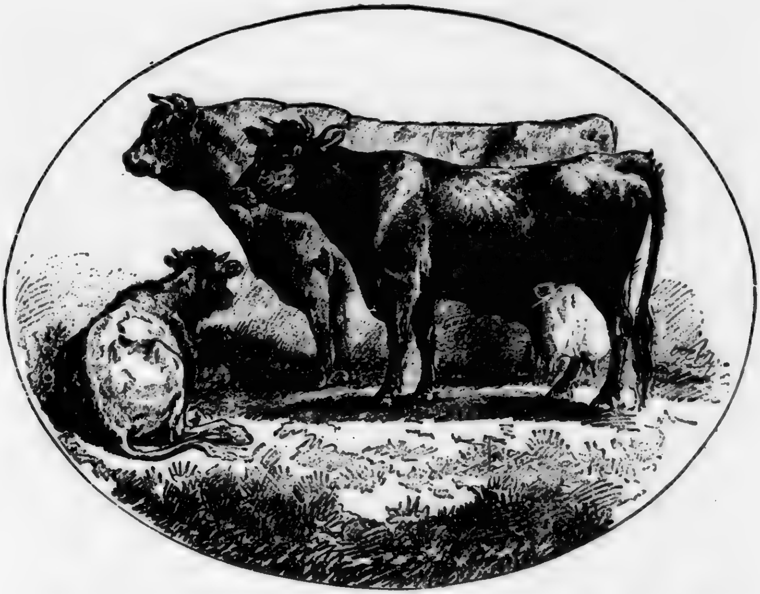

Borden at the Century Mark

Case Study of a Centennial Observance

How should a company observe the venerable occasion of a Centennial birthday? Many businessmen question the dollars-and-cents wisdom of elaborate ceremonies; others have made corporate birthdays a fetish. The Borden Company formulated the unconventional answer that its Centennial should serve as a springboard for increased sales and profits.

by Joe B. Frantz
PROFESSOR OF HISTORY
AT UNIVERSITY OF TEXAS

A worse-than-broke inventor and an affluent commission merchant teamed up in 1857 to form an infant condensed milk company that at first threatened to subsist more on faith than on income. One hundred years later that same company, The Borden Company — with $900 million annual sales spread over 800 products — celebrated its Centennial.

To observe that hundredth anniversary, The

Borden Company embarked on a program that spread downward from the chairman of the board to the lowest-paid (though not necessarily, as usually claimed, its humblest) employee, that included three motion pictures turned out by a Hollywood producer, that featured a nation-wide contest of skill, and that led to a tremendous expenditure of time, thought, and money.

Was the observance worth all that went into it? Was it worth the time? That is the question I have been asking Borden executives, Borden employees, and myself for more than a year. Some of the answers should prove interesting to businessmen contemplating their own company anniversaries, to students of modern business, and to many of those 34,000 Borden employees who took part in the celebration.

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To understand the *how* of the Centennial observance, it will be necessary to sketch something of the organizational complex that is The Borden Company.

The essence of The Borden Company is its diversity. Begun as a condensed milk company, once it turned to fresh, or fluid, milk in the mid-1870's, its original product became steadily less important. And in the 1880's a new milk, called "evaporated," began to displace the condensed for all-round use. When ice cream was added in the second decade of the current century, then Borden's had the two products, fluid milk and ice cream, which account for the greater part of its sales. Although a considerable, almost incredible, product diversification has taken place in the past two decades, the fluid milk and ice cream division still plays the strongest hand in company policy, as well as in sales and profits. Borden's, it might be said, though active in plastics, urea derivatives, pharmaceuticals, cheese, animal feed supplements, and a host of other apparently unrelated items, rests on a solid milk base.

Tied in with this product diversification and an even more extensive geographical diversification is a policy of conscious, almost strained, managerial decentralization. One anecdote points up the Borden managerial situation better than several pages of detail. It concerns a former professor of business administration known throughout his profession for faith in his own judgment.

After having spent a day at the Borden headquarters in New York and asking a legion of questions concerning the company's organization, he announced almost triumphantly to one executive:

"It won't work," he said.

"What won't?" asked the startled official.

"Your company! No company organized like this one can possibly work."

"But it does work—has for nearly a century," argued the Borden man.

"It may seem to, but it can't possibly," said the professor. The Borden people were never able to shake his belief.

Actually, Borden's organization is not as eccentric as the anecdote would suggest. In New York it is divided into product divisions: milk and ice cream, other foods, chemicals, and what is known as "special products." With the exception of milk and ice cream, these divisions are closely administered by the New York office.

The basic products, milk and ice cream, are divided into 13 territorial districts, each virtually autonomous. Broad policy for milk and ice cream is set in New York, but the emphasis should be placed on the word *broad*, for execution of that policy is left to the discretion or whim or talent of the individual district chairman. Thus what the Southern District, operating out of Houston, may do with, or *to*, a policy may have only the most coincidental resemblance to the activities of the North East District, which is based in Troy, New York. How this works in practice will be seen shortly.

Until a fairly recent tightening of coordination, it was quite possible for, say, the milkman in a key city to promote a milk-and-cheese package. It was not unlikely that no one in the local milk district would know the cheese representative for that area, nor whether he had his office in that city or some other; it was just as likely that if the milk executive found his cheese counterpart, the cheese man would evince little interest in the promotion and would indicate little concern for the increased dollars in milk sales that might ensue.

As for titular structure in The Borden Company, it is a sometimes elusive, often confusing arrangement that defies explanation without getting into more detail than is pertinent.

And yet, to return to our executive of a few paragraphs ago, "it does work," and it has worked. And Borden's is now embarked on its second century, confident that the considerable growth of the past will be continued in the future.

Finally, in sketching in our background, we must remind ourselves that Borden's is at heart a milk company and that its top executives came up through the milk route. They claim that they make only a small profit per quart, and that you could remove the profit entirely and still not be able to lower the price to the consumer. Working

on that fractional profit, they try to convert fractions of cents into millions of dollars by selling billions of units.

Conversely, this view of life through the lenses of a milk bottle means that every expenditure has to be justified against the question, "How many extra quarts of milk will have to be sold to get back this new outlay?" With that question ever uppermost, it is not difficult to imagine what it meant when the executives assented to an ambitious and expensive anniversary program that, whatever its purposes, promised more in improved public relations than in immediately increased income.

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Although various Borden personnel, chiefly in advertising and public relations, had been edging toward a Centennial observance for several years, the real beginning of the anniversary started with a three-day "seminar" for Borden's public relations men from the New York, Toronto, and Chicago offices in midsummer of 1956.[1] On July 9, President Harold W. Comfort, who combines liberal arts training at Yale and Williams with an ice cream plant background, sat down to tell what he knew of the company's successes, failures, prospects, and fears. His was a candid story in which he parried no questions, but made an honest effort to inform his public relations men that they might enter the Centennial as fully informed as he could make them.

Word quickly spread to the vice-presidential echelon that President Comfort had apparently withheld nothing. For the next three days every division head tried to emulate his chief in telling *all*. As the vice presidents successively told what was wrong, as well as what was right, with their respective divisions, some of the older auditors entered a mild state of shock, for the Borden executives had reputations for being close-mouthed. But the result justified President Comfort's approach, for from that time forward the public relations department felt that it knew everything it needed to get the utmost mileage from its efforts.

The department knew, for instance, that Borden's earnings had been highly stabilized for the past decade and that Borden's stock, though blue chip from a dividend-paying standpoint, had failed to

[1] Actually, Theodore C. Montague, president until 1956 and chairman of the board since, had conditioned Borden executives in both New York and the branches to a Centennial outlook in managers' meetings, press interviews, and other such public appearances. A terse man, Montague has a reputation for never dodging questions or engaging in executive doubletalk – or platitudinous circumlocutions, if you prefer. This directness has undoubtedly encouraged other Borden executives to be more forthright in their relations with the public than would be their wont.

reflect the growth of the company in size. Here was a situation that should be remedied, and when the Centennial year began, President Comfort held a no-holds-barred meeting with New York's security analysts. Within weeks, the price of Borden stock, which had remained steady for months, rose 15 per cent and held the gain. At the time of this writing it is 50 per cent higher than in the summer of 1956.

By the time of the midsummer conference, certain tentative plans were already under way. A new company publication for key personnel, *Centennial Keynote*, was begun in late spring of 1956, with a view to coordinating anniversary plans throughout the sprawling company.

More important, a policy statement had come the previous September, 1955, from Theodore G. Montague, chairman of the board, in which Centennial outlook had been sketched in broad terms. In the first place, Montague pointed out, no one has more than a casual interest in how old anyone else is. Especially is this true with corporations. What the public wants to know is what are you doing now, and what are you planning to do.

Therefore, said Montague, Borden's would take sufficient notice of its past, but primarily Borden's would use its centenary year to look forward – as a springboard to improved safety performance, to closer cost control, to increased efficiency, to better communications, and, of course, to higher sales and profits. The Centennial would be less a year-long celebration than a critical self-examination and stock-taking. Every person, every company, is aware either vaguely or specifically of plans never launched, of items pushed aside, of intentions unrealized. According to Montague, 1957 would be the year to look at those plans, those intentions, those items, and if they were worth pursuing, get at them.

Undoubtedly the Montague policy statement left many managerial employees a bit disturbed or disappointed. Nurtured on corporation birthdays that ran the gamut from extravagant back-slapping to TV spectaculars, they found the Montague approach a letdown. How do you generate enthusiasm for a birthday year without celebrations and accompanying hoopla? Or having generated, how do you sustain?

Actually the seeds for celebration were present in the Montague statement, but celebrations were to be only incidental, not an end in themselves.

The word went out: some 700 plants and stations that had fared well generally or were faring well at the moment were going to

utilize the Centennial year of 1957 as an excuse to shore up, to trim, to enlarge — to do better. There was no Stakhanovite implication in the program. Rather, The Borden Company wanted every last one of its 34,000 employees to be conscious of his position and his importance in the organization and to try in some way to fit into the improvement plans. In a company with the spread of Borden's, could the individual employee be made to feel his significance; and if so, could that significance be translated into tangibles? Or to put it in milkman's parlance, could that worker somehow sell an extra quart of milk, and could he increase the profit margin by one-tenth of a cent? The Borden executives quite frankly did not know.

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While advertising campaigns and sales promotions and Centennial products and flavors were reaching the final drawing board stages, two pilot projects were begun in 1956, ahead of the actual birthday year. Syracuse, New York, and Burlington, Vermont, were selected for test runs. Accordingly, committees were set up which included just about every employee on the premises. Not only were these committees to oversee such obvious fields for improvement as sales and safety, but committees were established to deal with waste reduction, good housekeeping, man-hour production, and employee communication.

On July 30, 1956, at the appropriately named Liederkranz Club, the Syracuse plant held a buffet attended by local dignitaries, representatives from the North East District office in Troy, and the entire production and manufacturing department of Syracuse, its office force, ice cream sales department, and all ice cream route salesmen. The same sort of meeting was held on August 15 in Burlington. Roy Wooster, vice president in charge of fluid milk and ice cream, attended both meetings.

These meetings had twin goals: to survey the local operation, both to demonstrate what had been done and what could be done; and to acquaint the local personnel with over-all planning, especially in products, for the year ahead. Each plant already was well into a combination employee-incentive and participation program as suggested by Montague's statement the previous September.

The Burlington experience is worth looking at in some detail. Early in 1956, Harold Smith, chairman of the North East District, suggested that since Burlington had a newly modernized and expanded plant, it might pre-test the Centennial concept. Burlington would experience somewhat less than ideal conditions, for it would

test in advance of the outside publicity and promotions being developed by the New York office. But since the Centennial celebration was coming to be understood as an inside opportunity designed to improve local circumstances, the Burlington manager, S. L. Pitts, agreed.

On April 1, the pilot program got under way. A Centennial steering committee was established. Since Burlington is a small operation — about 30 employees — it was decided that all committees should operate as committees of the whole and that they should get together after hours, over dinner or refreshments. Although attendance was voluntary, it usually ran 100 per cent. Whenever the committee work tended to bog down, John King, the district sales manager for milk, would drive up to Burlington from Troy to lend his experienced hand. But mostly it was a local operation.

By September, Pitts was able to report progress along several lines. Burlington had begun making its own cottage cheese. The plant had sold cottage cheese for a number of years, but had always bought the product from outside suppliers, despite a milk surplus problem, because the Vermont Department of Agriculture would not allow the Burlington plant to produce its own cheese. Under the impetus of the Centennial the Burlington management took its problem again to the Department of Agriculture, and this time won a waiver allowing cheese production. The further result was that with better quality control of its cheese, cottage cheese sales enjoyed an almost immediate upsurge, and shortly monthly sales were running 30 per cent ahead of the previous year.[2]

In May, Burlington arranged a two-day open house, with a visit by Elsie, the Borden cow, as an attraction. In an area where dairy open houses are commonplace, local newspapers predicted that Borden's would be lucky to attract a thousand people, the local record to that time. Actually, 7,885 registered in a city of 30,000, and Governor Joseph Johnson and other dignitaries came over from Montpelier to see the show.[3]

Despite summer vacations by customers, sales climbed steadily, especially in such by-products as cream (up 10 per cent over the previous year) and fortified skim milk (up 55 per cent, despite its selling at a 10-cent-a-quart premium over its competitors' regular skim). The skim milk line, in fact, had been a consistent loser until the Centennial campaign began.

Burlington had never sold its own buttermilk, being unable to

[2] *Centennial Keynote*, Sept.–Oct., 1956, p. 2.
[3] *Ibid.*, pp. 3–4; June, 1956, p. 2.

produce a quality which could not be surpassed by purchasing from the outsider. In this instance the Centennial spurred the Burlington management to make a greater effort than ever before to improve its buttermilk. But the quality problem was not solved at that time, and looking back, Pitts called it "our only Centennial failure."[4]

Accounts which had belonged to competitors were solicited with renewed planning and enthusiasm. The value of a good new account in whipping up employee spirit is incalculable. A case in point: One of Burlington's leading institutions for years had split its milk order between Borden's and another company. Under the Centennial impetus the sales office went to work again on the customer, and soon obtained the other half of the milk order. The entire working force felt so flushed with victory that when the customer demanded chive cheese and no dehydrated chives could be obtained, the workers made a practical hobby of a chive garden in front of the plant. The production head, a stickler for quality control, would even sterilize his scissors before permitting the chives to be snipped. And at the Vermont state labor convention, the union organizer (an invited outside guest at all Burlington committee meetings, incidentally) praised Borden's products and procedures.

Burlington accelerated its employee suggestion program. In its bottle filling operation, Borden's was running consistently into overtime. An employee became interested in increasing filler output, worked with equipment service representatives on gear changes, increased capacity by one-third, and eliminated an hour and a half of overtime a day. Other suggestions ranged from a method of eliminating leakage in half-gallon ice cream containers to means for increasing sales.

Meanwhile in the Southern District the chairman, Ben W. Putnam, was announcing the organization of 21 committees designed to see that every one of the 3,800 employees in the district felt the Centennial's impact. The committees included not only such obvious choices as management, safety, good housekeeping, and quality control, but also a "Bottle, Boxes, & Cans" committee, a committee on material handling, and even a Gail Borden committee designed to get the utmost advantage from the fact that the company founder lived in Texas for two decades and was something of a Texas pioneer and patriot.

Back in New York, the organizational aspects of the Centennial

[4] S. L. Pitts, Burlington, Vt., to author, Feb. 26, 1958.

had been perfected. A five-point program expressing Centennial philosophy, and two committees to implement this philosophy on a national scale, had been created.

The program ran as follows: (1) The Centennial should be based on practical business thinking. (2) Self-analysis was essential, with "fault-finding for the purpose of improvement." (3) Widest possible employee participation for internal improvement should be effected. (4) Specific goals should be set at every level of operation, and (5) Incentives should be planned to reward employees for extraordinary contributions toward Centennial goals.

The committees which would carry the program were a Policy Coordination Committee, consisting of President Comfort as chairman, plus six operating vice presidents, Milton Fairman, director of public relations, as secretary, and Stuart Peabody, director of advertising. Fairman and Peabody would be the only staff members. The second committee, a six-member Project Committee, was composed of public relations and advertising staff members, with Fairman as chairman. On this committee fell the burden of articulating and directing the Centennial program, at least until it began to proceed under its own momentum.

All sorts of Centennial premiums were offered to the operating divisions. Mercer Publishing Company published a 12-page biography, called *Gail Borden, Father of the Modern Dairy Industry*. Individual branches could purchase these booklets at $4.75 a hundred for distribution to school children, as plant favors, for industrial reading rooms, and other such uses. A multi-colored decal for truck doors was developed, cellucaps and paperlynen caps with the Borden symbol imprinted on one side were ordered, a Centennial cake was perfected, all sorts of Elsie jewelry was ordered, and one of the nation's largest nurseries (Jackson & Perkins) developed a Gail Borden rose to be sold on the commercial market, as well as to be bought by Borden operations for plant gardens and for presentation to city parks and the like. One of New York's better-known newspapermen was commissioned to write pamphlets, "About our New Century," which would explain in monthly doses, in his unique style, some aspects of Borden history. These began to appear in February, 1957, and were distributed by the tens of thousands. And the Public Relations Department prepared a Centennial publicity kit containing fact sheets on Gail Borden the man, The Borden Company, and the dairy industry, designed to aid local operating units in making up community or regional, as well as

historical, tie-in news releases and in giving talks before civic and employee groups.

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Finally, 1956 came to a close and the Borden Centennial year of 1957 was under way. Officially it began on December 28, 1956, at a party across from the company's home office on Madison Avenue. Offices closed at 2:45 as the 1,000 employees adjourned to the Commodore Hotel. Board Chairman, Theodore Montague, was unable to attend because of a death in his family, but a message from him was read. President Comfort talked briefly, followed by the first public showing of the Centennial kickoff film. Elsie the Borden cow was on hand, refreshments were served, and all employees (including President Comfort) donned Centennial caps. It was the first time in years that all Madison Avenue employees had been brought together at once.

Sales and Promotion

National awareness that Borden's was 100 years old came with two contests, beginning in January, 1957. The big contest concerned the naming of twins of Elsie the cow. Elsie is probably the best-known company symbol in the United States. Through folksy type advertisements and a constant round of public appearances at fairs and special days all over the nation, Elsie is more real and better known to the American public than the Chesapeake and Ohio Railroad's Chessie, the yawning boy with the Fisk tire, or Buster Brown or the Victrola dog listening to His Master's Voice in another era. Industrial pollsters claim that seven of every ten Americans know Elsie and where she works, which places her just a step below Presidents and the very top motion picture stars.

So now Elsie had twins and the nation was asked to name them — with an entry blank duly filled out and with an appropriate box top or bottle caps enclosed. When the contest had ended, just short of three million entries had been received, the largest contest involving skill ever handled by the Reuben H. Donnelley Corporation.[5]

Borden's had aimed at a million entries, and was almost embarrassed by its success, for it was paying Donnelley's a per-entry fee. The result was that the expense of judging cost three times what had been anticipated, and some budgets had to be rescrambled.

On the other hand, the contest showed more than the consumer's

[5] *Centennial Keynote*, April–May, 1957, p. 1; Summer, 1957, p. 1.

desire to win the $25,000 first prize. The various divisions of the company—most notably the milk and ice cream sales force—"twinned" products with great success. While both were usually Borden twins, in some instances a non-Borden product would be featured in a twin package with a Borden product. Fresh peaches, for instance, or dry cereal would be featured in a package with Borden's milk or cream. In almost every instance where Borden's twin products were displayed, sales spurted. Borden's undoubtedly picked up new customers and acquainted old customers with Borden products of which they had thitherto been ignorant.

On the other hand, Willis Gurley, a national vice president, compared the sales contest to a thunderstorm.

"It sounds fine and thrilling till it reaches its crescendo," he observed. "Then it abates and leaves you nothing. How do you hold on to a crescendo anyway?" [6]

The other contest was internal, but on a relative basis was equally successful. An employee contest, offering 127 prizes with a retail value of about $25,000 and ranging downward from a nine-passenger station wagon to chrome blenders, drew widespread participation that was surprising in this highly decentralized company. For some time previous to the contest, plant posters had given information about Borden's and its history. In the contest a number of questions based on The Borden Company were asked. In addition, each entrant had to write a short essay on "Why I like my Borden job" as a tie-breaker.

With the consuming nation and the Borden employee family learning through contests that the Centennial Year had arrived, the regional districts and local operations went into action. Almost every operation responded with some sort of kickoff ceremony, which might be a dinner, a party, or an open house, though usually the kickoff was confined to employees and wives only. Invariably each operation set its own rules for celebration. The North East District at its several dinners usually insisted that there should be no head tables. They were all Borden employees and therefore equal. Further, President Harold Smith, who attended every kickoff in his district, felt that the free interchange of ideas was stimulated by having men with one type of job sitting alongside others with different functions in the company. Everyone present, he felt, came away with a feeling for his own standing. To aid this feeling John King of the district office always made an informal short talk

[6] Interview, Gurley with author, New York, Dec. 30, 1957.

in which he told what the other plants were doing and where this particular operation stood in relation to the others.

At these kickoffs the first of the three films, "Our Great Big Birthday," containing an explanation by President Comfort of what lay ahead, was shown. Also, the workers were informed of the operations' goals for 1957. Committees were named and their functions outlined. The committees were then directed to get to work. The results were as varied as the company.

In the Southern District, for instance, stockholders lists were obtained. An effort was then made to make a personal call on every stockholder. Throughout the district a commercial entertainment called "Dancing Waters," in which fountains spray in rhythm to music, was hired and staged as a free show, properly publicized. Usually the program was held on plant premises when the plant was closed, with no sales pitch beyond a statement at the conclusion of the program that Borden's was glad you had come. At the larger plants, such as New Orleans, the dancing waters played every night for two weeks; in the smaller cities, the period was usually for one week.

In the South Atlantic District, sales contests were staged for plant managers and for route salesmen. The managers – 13 in all – competed for a 10-day trip to Mexico City and Acapulco; as late as September, seven still had an opportunity to win, but only two came through. On the route level 35 salesmen were eligible for a trip to Miami, but only 5 won. The feeling at district headquarters in High Point, North Carolina, was that the contests disappointed the losers more than they stimulated the winners. Given another opportunity, most of the administrators would prefer shorter contests, less ambitious prizes, and more winners.

Biggest reason for the disappointment was that 1957 was a bad year for sales of some products. It featured an unusually wet, chill spring in which furnaces continued to run into June.

"For our contest to have been successful," observed R. D. Wooster, Jr., of High Point, "we needed an average year. We didn't get it." [7]

At the East District, or Pioneer Ice Cream Division as it is also known, Chairman H. J. Dirkes and his Advertising Manager, William Ward, tried to "hitchhike" on every promotion suggested by the Madison Avenue office. Employees, sales or not, were encouraged to turn in leads where Borden's ice cream was not being sold. On the plant bulletin boards these leads were acknowledged, regardless of result. Many of the leads brought new accounts in the metro-

[7] Interview, Wooster with author, High Point, North Carolina, Jan. 6, 1958.

politan New York area. In individual ceremonies the salesmen obtaining the accounts were given suitable scrolls and pen and pencil sets, and had their pictures receiving the awards posted on the bulletin boards for a week each.

Pioneer was also the first to sell a premium ice cream, Golden Vanilla. Packages were illustrated with Elsie and husband Elmer in 1857 dress, and these arresting drawings were exploited on truck banners, 3 by 4 feet.

Costs

Since fluid milk is a product whose profit margin is extremely narrow, the shaving of fractions of cents is of prime importance to The Borden Company. When millions of quarts are sold daily, a mill saved here and a mill saved there soon add up to important figures. Accordingly, Borden's attacked the cost problem at every level and in every operation, attempting to inculcate in all its employees a cost-consciousness surpassing any accomplishments of past educational programs.

Here again the Centennial acted as a spur.

"We hammered away at the idea of doing a particularly fine job during the Centennial Year," explained Edward J. Brennan, the Metropolitan New York District chairman; "we believe that any extra care taken as a result of Centennial preaching will become habit forming. Just thinking of cost in this hundredth year was helpful." [8]

Over and over Borden officials at local, regional, and national levels reiterated Brennan's theme — that the momentum of a whole year's effort cannot be stopped, and that if half the enthusiasm can be sustained, the results will be impressive.

John Luker, the fluid milk manager at Houston, was more specific.

"All companies have the same procurement costs," he explained. "Your opportunity for licking your competition comes from two sources: cutting production cost per man hour and cutting waste. When I began in the milk business 40 years ago, the waste figure of milk received stood around 15 per cent. Now any company that survives looks on 2 per cent as an absolute maximum."

Luker redoubled his plant's efforts to reduce runover, to keep cream fat from sticking to sides of pans and to pipes, and to eliminate breakage, leakage, and merchandise spoilage and return on the sales routes. To eliminate milk waste by .001 per cent would

[8] Interview, Brennan with author, New York, Dec. 31, 1957.

mean a saving at Houston alone of $52,000 a year. Luker sold his workers on the basis that for every dollar saved, they would ultimately receive 65 cents in benefits. The result was that instead of the 2 per cent figure, the Houston plant cut its waste of milk received to one-half of one per cent. The saving at just this one plant amounted to $120,000.[9]

Add these constructive cost economies plant by plant throughout the more than forty operations in the Southern District, and it can be understood why Ben Putnam, the district chairman, could say, "Sales went up, but what interested us was that, unlike what was happening on the national scene, our profit rate rose higher than the sales rate. We had the best profit year in the district's history." [10]

The South Atlantic District, on the other hand, had the highest milk manufacturing expense in its nine years as a separate district,[11] although certain operations, such as High Point,[12] reduced manufacturing expense appreciably, and improved profits.

Safety

Safety has two faces in The Borden Company. There is the internal, or plant, aspect, in which the workmen try to avoid accidents and lost time. Then there is the public phase, especially important with milk trucks scattered about a community, with the Borden name and Borden insignia splashed all over their sides. Any accident involving a truck means more than human suffering or cost — it means that the name "Borden" is associated in the public mind with a mistake, no matter where the fault may lie.

Consequently, from both an expense saving and a public relations standpoint, Borden's utilized the Centennial to drive home the necessity for avoiding accidents. Courses in driving defensively were emphasized. Repeatedly, men were drilled on safety procedures. An indication of success was the award of 143 certificates for improved safety by the Private Truck Council — 37 for accident-free records.

In the North East District, every operation manager held a personal safety conference with each employee under his supervision, even discussing means for avoiding biting dogs and what to do once the dog bit. The attention of the participants showed in the figures. Where accident frequency per million hours stood at 26.73 in November, 1956, it had been reduced to 20.34 a year later, or

[9] Interview, Luker with author, Houston, Texas, Nov. 7, 1957.
[10] Interview, Putnam with author, Houston, Texas, Nov. 7, 1957.
[11] Interview, R. D. Wooster, Jr., with author, High Point, North Carolina, Jan. 6, 1958.
[12] Interview, Maurice Stuart with author, High Point, North Carolina, Jan. 6, 1958.

approximately by 24 per cent. Lost-time employee accident experience showed an even more spectacular drop – from 28.24 per million hours for November, 1956, to 8.23 a year later.[13]

In the Southern District, in which 1,659 vehicles travel 26 million miles a year, Borden's operates 20 maintenance shops. In Dallas the shop averaged 96 road calls a month in 1953. Through October, 1957, its average was down to 26. The Tyler plant had done more than a million miles without an accident, and district frequency rate had dropped from 1.15 per cent per 100,000 miles in 1956, to .87 per cent.[14] The soothing effect on tempers of store managers whose deliveries were not delayed by breakdowns must have been incalculable.

In the Metropolitan New York District, where traffic problems are not getting noticeably easier, the year 1957 showed an accident frequency rate decline of almost 25 per cent over the previous year, and almost 60 per cent over ten years before.[15] This latter figure would suggest that long-range safety education would have shown results with or without a Centennial. But, as Charles Rossignol, production manager for the South Atlantic District, phrased it, the Centennial gave everyone reason to "sharpen his pencil and refigure how he could do his job better." [16]

Open Houses and Civic Endeavors

Some Borden districts altogether ignored the public relations gimmicks of open houses, speeches before Rotary and Kiwanis, Elsie movies for high schools, and so on. In divisions such as Special Products or Chemical there is little to display and almost no natural community angle to exploit, while even the bottling of milk and making of ice cream are not conspicuously thrilling sights. Nonetheless, many plants held open houses, on the theory that the public would appreciate them and perhaps help extend Borden's customer list.

What particularly impressed Borden officials was how many families of employees were relatively ignorant of plant functions. Not infrequently wives were mailed individual invitations, and the response was nearly unanimous.

The most active districts in carrying the Centennial to the community were the Florida and Southern districts, with Chicago-

[13] Interview, James H. Warwick with author, Troy, New York, Jan. 2, 1958.
[14] Interview, Fred E. Wilson with author, Houston, Texas, Nov. 7, 1957.
[15] Interview, Edward J. Brennan with author, New York, Dec. 31, 1957.
[16] Interview, Rossignol with author, High Point, North Carolina, Jan. 6, 1958.

Central close behind. There the idea was to make a public relations man out of every employee – to drive home to each worker the fact that he had influence outside his job and to suggest to each the various good will possibilities that existed.

A number of communities held parades – Gadsden, Alabama, for instance. Both Fort Myers and Clearwater, Florida, paid a month's payroll in silver dollars. As the silver fanned out over these two cities, more and more people became Borden conscious. In older towns, especially where cities might be celebrating an anniversary of their own, beards and old-time dress were encouraged. Throughout the Florida District the initiative invariably came from the local branch rather than from district headquarters. As Jack Hall, district training manager who in 1957 was given the additional chore of district Centennial coordinator, said:

"We feel that if the ideas come from below, they will be much more effective than if handed down by us."

"I'll tell you one thing, for sure," Hall continued; "we won't let this local enthusiasm die – we'll keep coming up with something, Centennial Year or not." [17]

The Metropolitan District decided that its clientele was too sophisticated for plant visits.

"People want movement," observed Chairman Brennan. "Pasteurization, for instance, is absolutely nothing to see."

Instead, Brennan had his employees work out their own area visitation plan, offering and showing copies of the several Borden films, with qualified narrators accompanying the film.

"We found this so much better than plant visits," said Brennan.[18]

Chicago-Central, however, held that milk plants *do* offer something to see. Its Elgin, Illinois, procedure illustrates the importance attached to plant visitations in that district. It is worth looking at in detail.

In November, 1956, Elgin set up committees looking ahead to an open house that would not be held till the following July. Eight committees were named, with such duties as the following: one to look after parking and police, invitations, and general arrangements; another to oversee publicity and decorations; a third to prepare food, beverages, and tents; a fourth to provide prizes, souvenirs, and advertising; a fifth to make production arrangements and to provide guides; a sixth for good housekeeping; a seventh to supervise lighting and power; and a final one to take care of such

[17] Interview, Hall with author, Tampa, Florida, Jan. 7, 1958.
[18] Interview, Brennan with author, New York, Dec. 31, 1957.

items as a speaker system, chairs, and paper hats for all visitors.

Since the Elgin plant is alongside a river, a fence was built as a safety device for prospective visiting children. Ramps replaced steps. Posters and arrows on telephone poles were nailed all over the area. Dignitaries from surrounding cities were given special invitations, and such personages as the Rockford and Aurora mayors and the Joliet fire and police chiefs attended.

On the days of the open house, employee hours were changed to from 1:00 to 9:00 p.m. Route trucks were loaded only in the mornings, so that they would be out of the way. The usual free ice cream bars, half-pints of milk, Elsie comic books, balloons, and picture books showing how ice cream is made were distributed. Elsie and her twins were present, as were 15 sets of human twins.

When the doors opened the first afternoon, 400 people were lined up to enter. Every visitor was given a "Borden Centennial Hat" which he was supposed to wear during his tour. Each machine carried a sign, giving such vital information as its purpose and capacity. Insofar as possible each visitor was urged to return for a second visit when the plant would be less crowded and he could take his time.

Breakdown on expenses for the more than 10,000 visitors ran as follows: for publicity, $1,013.12; services and supplies, $674.95; souvenirs and prizes, $1,667.78; decorations, including new tile for the women's room, $788.76; refreshments and food, $1,075.28; and such miscellanies as mosquito spray, photography, and police aid, $679.99. Total cost ran $5,899.88, or 50.21 cents per visitor.

As with everything else, Elsie the Borden cow was utilized in varying degree. Elsie, of course, is several cows, all selected because they look alike; else all laws of travel and ubiquity would have to be flouted.

In the South East District, Elsie and her entourage were exhibited at the Maryland State Fair as usual. Recorded attendance at her booth was 294,946, an increase of 16,005 over the previous year. (This increase seems more significant from the standpoint of Elsie's appeal when it is revealed that attendance at the nearby race track fell off 15,000 in the same period.) Further, 106,500 Elsie postcards, 10,000 Elsie charms, 3,500 Elsie train cutouts, and 1,000 Elsie comic books were distributed from the Borden display.

Undoubtedly part of the interest in Elsie at the Maryland Fair was due to the district office having ordered some 6,000 posters and an undetermined number of billboards spaced around such cities as Washington, Hagerstown, York, and Wilmington, telling that Elsie

would be at the Fair beginning August 28. To be doubly sure, the district caused directional signs to be placed in strategic spots indicating that Elsie was farther down the road.

At the other extreme of the Elsie promotion was the Florida District, which requested that Elsie be kept out of its Florida, Georgia, and Alabama area during the Centennial year. Insofar as possible, District Chairman W. J. Barritt and his brother, Harvey, the executive vice president, wanted all promotion to stem from local ideas and efforts.

In between, in the South Atlantic District, Elsie came down for a month, showed at the North Carolina State Fair at Raleigh, visited Durham, High Point, and a dozen other operations, was interviewed on TV at Greenville, South Carolina, and even "twinned" with Sears, Roebuck in Elsie Day sales, with Elsie showing on an adjoining lot while next door Sears tried to lure customers with attractive price reductions. In the Sears promotion Elsie also shared newspaper advertising space with T-shirts, children's toys, and automobile tires.

Chicago-Central probably went further than any other district in utilizing the Centennial to improve relationships with milk producers. Under the direction of Fred J. Barter, district coordinator for production, communication with farmers was stepped up markedly. Milwaukee, for instance, worked out an improved plan for barn ventilation; Madison, a plan to convert the hay crop to grass silage. In Marshalltown, Iowa, farmers' meetings were called to explain bulk tank procedure, while the Hammond, Indiana, office prepared a digest on the feeding of forage crops.

Again in Milwaukee, the Borden operation ran advertisements, not regaling the reader with the superiority of Borden products, but showing photographs of all the new teachers in the Milwaukee school system. Routemen in Waukesha were directed to keep alert for families in need; one widow, trying to feed a family without a stove, was given one. These aids were not publicized, but such good deeds advertise themselves. When in Pekin, Illinois, the city water supply became contaminated, Borden's went on short supply to furnish pure water for the city from its own system.

Employee Relations

The greatest achievement of the Centennial was attained in the field of employee relations. Nowhere did I find a Borden official who would argue that the effort to improve intracompany communications was anything less than an unqualified success. Whether

a district proceeded like the Southern, by seeing that every last employee was placed on a committee and that every last committee in turn was active, or whether, as in other districts, employees were merely brought up to date on their company's progress and plans and told their place in those plans, indubitably Borden employees emerged from the Centennial effort with a better sense of identity. In a firm of 34,000 employees who can easily become faceless, this identity is important.

Of course, such an assessment of success is unprovable, but throughout Borden's the feeling is present that the Centennial, by spurring Borden's to look inward critically and constructively, was the best thing that ever happened to employee relations. Or as Charles A. Eckburg, a vice president of the company, put it:

"You just sense some things that you can't translate." [19]

To reach the employee, various methods were used. The most obvious was the suggestion box, which was given renewed attention throughout all divisions. If a suggestion had merit, the employee was given wide notice. He also shared in the added income or in the saving, or else he was given a cash award.

In the Florida District 33 suggestions out of 90 were adopted in the first six months. In the Metropolitan New York District the percentage of usable suggestions was not nearly so high, but still, as District Chairman Edward J. Brennan pointed out, "95 per cent of the suggestions tried to be helpful, and even if they contained no real ideas for improvement, they got things off the men's minds." [20] W. J. Barritt of the Florida District felt that the simple suggestions turned out to be the best ones, and that over-all, they "have done more to impress management at the local level with the value of listening to employees than anything else in the experience of our 33 locations." [21]

All operations in any company's office or plant know certain irritations that are endured through the years. It may be of no more importance than the absence of a mirror in the men's washroom, but to one or more employees the irritation is real. Through its committee system, Borden's encouraged the reporting of all such annoyances. In Chicago-Central it was seen that each route truck had a whisk broom and dust pan to clean up broken glass and rid the truck of loose debris. In Mason City, Iowa, routemen practiced restacking merchandise till they worked out wider aisles with con-

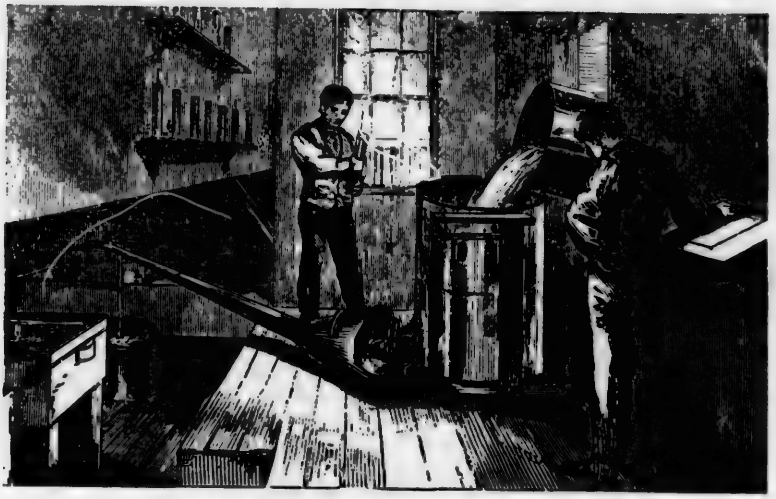
[19] Interview, Eckburg with author, New York, Sept. 12, 1957.
[20] Interview, Brennan with author, New York, Dec. 31, 1957.
[21] Interview, Barritt with author, Tampa, Florida, Jan. 7, 1958.

sequent greater personal working convenience. In Pekin a survey of office chair casters caused unsafe casters to be replaced. In Milwaukee all extension light cords were replaced with permanent fixtures to avoid tripping.

Naturally the visits on special occasions from district and Madison Avenue top executives reduced the gulf between front office and operating personnel. In Miami, Florida, the union pulled its Borden employees off the job on a Thursday before the Centennial dinner on Saturday, but even so the dinner, which was held on schedule, was considered a huge success. In the various supervisory training programs all employees were encouraged to speak out. Ralph R. Minkler, district sales director of Chicago-Central, endeavored to place a management man on each committee in order that the lower echelon employees would have a direct front-office contact. His office placed each person on two or three committees so that employees might learn what went on beyond their area. And in Des Moines each new employee was taken on a tour of the plant and introduced to every person he was to work with and for, so that he entered Borden employ without that lost feeling that so often accompanies new workers.

For years in advance of the Centennial the South East District, running from Pennsylvania through Virginia, has carried personal notice of its employees almost to the point of a fetish. Since this particular district was originally a highly distinctive family enterprise under the Hendlers of Baltimore, other districts have looked on its activities with a certain appreciative tolerance. When a South East District employee has a birthday, the Hendlers send not only greetings but have a cake delivered to his home. Every child and grandchild born to an employee receives United States bonds. Whether from these little attentions or for other reasons, the Quarter Century Club in the South East District is dotted with father-son teams, with both sire and sired having been with Borden's for twenty-five years or more. When in 1955 the Hendlers celebrated their fiftieth anniversary in the milk and ice cream business, the observance received considerably more thought and attention, especially around Baltimore, than the nation-wide Centennial observance two years later.

But as a result of the Centennial, management in some other districts took a more critical look at the Hendler "courtesies." Local managers picked up a keener awareness of the need for identity. In some districts when salesmen obtained new accounts or drivers compiled long-term no-accident records, letters went to their



RECEIPT OF MILK AT THE FACTORY

COLLECTING

DAIRY TOOLS

wives telling how proud Borden's felt about the success of the particular individual. In other instances the wife received a telephone call from the plant manager, again praising her husband, a subtle procedure for increasing her satisfaction with her husband's employer. Some operations required each department head to take a Dale Carnegie course in getting along with people. At still another operation, whenever a company dinner was held, not only were the salesmen invited but they were urged to bring along their new customers as guests. Any number of operations gave roses to wives or pens to employees for some special occasion.

This was generosity perhaps, but hard-headed generosity. "Our people had a spiritual uplift – almost a religious fervor," noted Edward Brennan. "Just thinking of them helped them think of the company, with the result that throughout our district, men were consumed with the idea of doing a good job during the Centennial." [22]

The quotations could go on at length.

"Our employees have become conscious that they can do something beyond their normal functions. The Centennial was a triumph for communications," said H. J. Dirkes of the Pioneer Division.[23] His vice president for personnel and purchasing, Louis Post, saw the Centennial in this light: "We did not try to sell the employees on pride in being Bordenites – instead they sold themselves on pride in performance in order to cement their jobs." [24]

Expenditures

It is difficult, if not impossible, to pinpoint expenditures of the Borden Centennial program on a nation-wide basis. Many so-called "Centennial" activities were actually routine but were given a Centennial theme. Thus the usual employee Christmas parties became "kickoff" dinners, picnics were "Centennial" excursions, and normal sales campaigns took the twin-naming contest as a theme. Most local operations made room for the Centennial in their regular budgets. District expenditures varied from the ambitious programs emanating from Houston and Tampa to the more casual approaches in some other districts. Howard J. Dirkes, whose Pioneer, or Eastern, District pursued perhaps a median policy, estimated his headquarters expenditures at less than $10,000.[25]

[22] Interview, Brennan with author, New York, Dec. 31, 1957.
[23] Interview, Dirkes with author, New York, Dec. 31, 1957.
[24] Interview, Post with author, New York, Dec. 31, 1957.
[25] Interview, Dirkes with author, New York, Dec. 31, 1957.

The brunt of the noticeable expenditures came, of course, from the pockets of advertising and public relations at 350 Madison Avenue. Exclusive of the national contest to name Elsie's newborn twins, the total investment was $320,000.

This figure is deceptive, for more than two-thirds, or $230,000, went into the Centennial film program for production of three motion pictures and a stock of several hundred prints for television showings and nontelevision bookings required over the years. If the film expenditure were prorated over five or ten years, Centennial expense in 1957 would have been considerably less.

The films had three purposes: the first, "Our Great Big Birthday," was a 22-minute film designed to give employees an advance look at Borden's Centennial year; "Elsie & Co.," 42 minutes long, related Borden's diversified operations and is expected to have utility for both indoctrination and educational purposes for several years; while the third, "Hail the Hearty," was a 30-minute prestige documentary tracing the progress of nutrition over the past hundred years. "Hail the Hearty" represents a public relations triumph; except for its mention of Gail Borden in a string of nutrition pioneers, it was almost entirely noncommercial and suitable for showing to schools, business and fraternal organizations, television stations, theaters, and so on. One national network showed it in 1958.

The remaining $90,000 was invested in such activities as special stockholder, management, and employee communications programs; the company-wide employee contest; public relations kits; production of Centennial fact sheets; and historical and business research during the preparatory year 1956 and the Centennial year 1957.[26]

• • •

What did the top executives of Borden's think of their Centennial? The following quotations were taken from interviews with President Comfort and several vice presidents, none of whom was in a position of needing to justify the Centennial results to anyone. The only statement that might be influenced by a need for justification would be the statement in the 1957 *Annual Report*, in which Chairman Montague and President Comfort reported to stockholders and employees. In part it reads as follows:

> . . . The major goals of the Centennial were attained; Sales — both in volume and dollars — and profits reached new high levels. . . .
>
> In keeping with the Centennial philosophy of self-examination, we

[26] Milton Fairman, New York, to author, April 3, 1958.

made a comprehensive study that resulted in major structural changes in the organization. Two of our long-established national divisions were combined to form a single new division serving the food trade. In two important areas we merged all our food and dairy operations into two new regional organizations. From these changes we expect accelerated sales growth and improved efficiency — in short, stronger and more effective operations.

. . . Our Centennial program undoubtedly was an important factor in making the Centennial a record year. . . .

In an interview near the end of the Centennial year Vice President Charles A. Eckburg made the following statement: [27]

You might say that the Centennial was a success because we had no exalted ideas of what it might accomplish. Anything we achieved was plus. One thing is sure, we hope it won't be a one-year operation.

From the Canadian division came this observation: [28]

The Centennial [engendered] considerable interest and enthusiasm in our employees. Some of the plans . . . are being carried over in 1958 and probably will continue. . . . I believe that [the Centennial] has improved our employee relations to the point where it brought them a little closer to the company with a better understanding of its function and its products and just what our objective as a business concern is.

Another Borden vice president, Willis Gurley, while suggesting that "executive people are the most poorly equipped to evaluate" an essentially local operation, believed that the Centennial excited considerable "vital, not passive, interest": [29]

It is easy in New York . . . to get too sophisticated — to operate over the heads of the people you'd like to impress. By stressing employee enthusiasm and self-interest rather than the welfare of the company, we produced sparks of real value. After all . . . most people are interested in salt pork and sundown, not in company balance sheets. Anything that points up human interest, engenders a closeness, a drawing together, a feeling of importance or belonging — these things a large corporation needs for warmth of personality.

The Centennial gave people a feeling of expression — they knew they were going to be heard in the higher courts. It is astonishing how company morale is built by having someone to listen to you.

Roy D. Wooster, executive vice president whose reputation for sometimes pungent, always quotable talk is company-wide, pointed out that in their own lives individuals are "damnably cost conscious, very eager for a higher standard of living."

[27] Interview, Eckburg with author, New York, Sept. 12, 1957.
[28] Arnold Ducklin, Toronto, to author, April 2, 1958.
[29] Interview, Gurley with author, New York, Dec. 30, 1957.

"Through the Centennial," he went on, "we found a device to transfer that cost consciousness to another branch of their family, The Borden Company. Since good things don't die, we think we'll enjoy the aftermath of a year of self-criticism for years to come." [30]

About as far removed from the retail consumer and the local level as it is possible to get is the Special Products Division, headed by Vice President Raymond J. Kunz. The products of Dr. Kunz's division include animal feed supplements, which go to feed manufacturers; soy meal, sold on the Chicago and Memphis exchanges; intermediates for bakery and candy trade; milk substitutes, sold through doctors on a highly ethical distributive plane; and so on. Most consumers and even many Borden employees were unaware that the company manufactured such items.

The result of the Centennial was that Dr. Kunz received suggestions for product displays from the nine plants under his direction throughout the company. Some local publicity was pushed, and wherever possible, the plants held local celebrations in conjunction with other older firms of the community in order to get a wider tie-in. But, perhaps because of the nature of the division and its divorcement from the retail marts, "our end of the Centennial bogged in the middle," Dr. Kunz opined.[31]

The Chemical Division experienced the same difficulty.[32] The lesson here might be that a Borden-type centennial works only where it is essentially a local operation. If it is a nonretail, nationally directed operation, the decentralized centennial approach, with its dozens or even hundreds of local variations, may not prove successful. However, those officials most closely associated with the Centennial effort insist that any lack of success in either the Special Products or Chemical divisions was due to factors other than the centralized character of these two divisions.

The man who probably had the widest over-all view of the Centennial was Lyle W. Smith, a member of the General Advertising Department, in his role as editor of the Centennial publication for key men. Two months after the Centennial year had ended he took a long critical look at the program just concluded. Among other candid statements he had these to make: [33]

> The chief criticism I might make . . . is that in concept it was too far over the heads of too many of our own people. I think many regarded it as impractical and visionary. . . . I believe that if we were to try to sell

[30] Interview, Wooster with author, Dec. 30, 1957.
[31] Interview, Kunz with author, New York, Sept. 13, 1957.
[32] Interview, Herbert H. Clarke, Jr., with author, New York, Sept. 12, 1957.
[33] Lyle W. Smith, New York, to author, Feb. 14, 1958.

this program this year — with Florida's 1957 example to hold up as a model — we might better succeed in getting across the idea.

As to general concept I have no criticism. I think there may have been surprise and disappointment that there was not more hoopla on a national level. But I am personally glad there wasn't, for I still doubt it would have paid off. At a considerably smaller budget expenditure, I'm awfully glad we had the twins instead of a 90-minute TV spectacular.

And finally, at the completion of the Centennial, President Comfort saw the year in these terms: [34]

While we were proud of our 100 years, we didn't emphasize it, except as a springboard to the future. Instead, the Centennial spotlighted the areas in which improvements could be made. Had it been a one-year celebration that was dropped at the close of the year, then it could have been unjustifiable expenditure. But we hope to make the lessons of the Centennial permanent, to make every year a Centennial year insofar as results are concerned.

You may say that these improvements would have been made, or at least thought of. But the Centennial gave us the opportunity to remind ourselves to do them now. In all areas — from top echelons down to the lowest operating levels — we tried to make people conscious of what could be done. I think we succeeded.

Even in areas where little was done about the Centennial, I still think it was worthwhile, as it gave employees a feeling of belonging to an institution that was solid. It made them more conscious that their company had a heritage, and therefore gave them a pride in their job connection which they might not have had otherwise.

We are a more efficient company than we were last year. Of course, just a matter of progress, we should be. But I think we are ahead of where we would have been if there hadn't been this extra Centennial effort.

If the experts are right, 1958 — or at least the first half — will see a slackening in our economy.[35] If it is an off year, and we don't follow through on our Centennial experience, then we are slack in our duty, for we may be able to balance the softening of our part of the economy by the extra stimulus we received from the Centennial, particularly by studying the lessons to be learned from the year just closed and by building on that experience. We need to incorporate the worthwhile parts of our Centennial into our policies for the next 100 years.

• • •

The answers, then, to the questions posed at the beginning of this study must be mixed, though on the whole optimistic. From a sampling that included visits to nine of the thirteen Borden districts over the nation, interviews with chemists and boiler tenders and ice cream salesmen, and talks with top executives and local opera-

[34] Interview, Comfort with author, New York, Dec. 30, 1957.
[35] The experts were right.

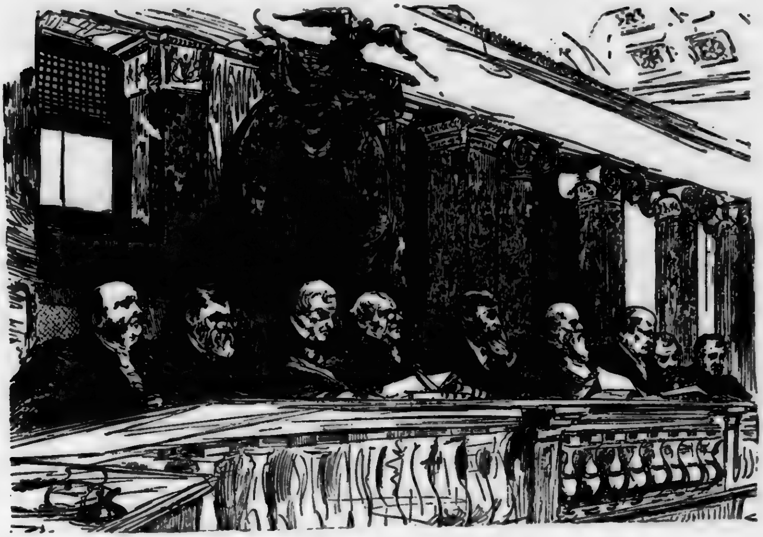
tors, the feeling is that the Centennial approach was valid. As one executive put it, if the Centennial plan failed in any of its major objectives, it was because of "our unpreparedness for it — as an organization we just weren't ready, and few other companies would have been ready. However, within the next decade, some bright young man who is running a compact, employee-oriented organization, will grasp this idea and put it successfully to work. Both employees and company will benefit, and it will be basically the same concept as outlined in the Montague statement." [36]

Some executives, especially sales people, felt that the Centennial observance was not sufficiently hard-hitting in going after sales dollars. They would have concentrated more on customers and less on employees — more on the external aspects and less on the internal. But the consensus seems to be that The Borden Company was a tauter, more intelligent, more alive company on January 1, 1958, than it had been on the previous New Year's Day.

This writer's opinion is that the most successful aspect of Borden's Centennial was the improvement in employee morale resulting from better communications. Some Borden officials, notably Vice President Wooster, who felt safety improvement was the most notable achievement ("I marvel at it," he commented), would disagree. But there persists the feeling that in 1957 many Borden employees for the first time became members of the "Borden family" — that for the first time they realized their functioning was vital, and also for the first time they became alert to the advantages of improving the company, whether at a policy level, reducing milk returns from retail outlets, or installing that rubber mat that for years had been needed in the corridor. The Centennial was most successful in promoting a feeling of responsibility — from the top down, from the bottom up.

If this feeling is correct, then the more hard-headed, tangible results of improved sales and profits, tighter control over unit costs, and increased national prominence of the Borden product should likely follow. But the 1957 Borden Centennial probably did not promote immediately noticeable tangible benefits that will translate onto an operating statement. At the distance of one year it looks like a long-range public relations campaign based on a faith that in the years ahead the extra time, effort, and money spent on the Centennial will be worth the cost.

[36] Letter to author, June 9, 1959.



Legal Progressivism, the Courts, and the Crisis of the 1890's*

Reform spokesmen, believing that fundamental issues of social control were involved, hailed the refusal of the judiciary to intervene in the 1880's against state regulation of corporate power. The progressive triumph was short-lived. Reversing the earlier trend, the courts retreated into economic conservatism, but in so doing generated the fierce pressures that were later to explode into new outbursts of legal and social revolt.

by Arnold M. Paul
INSTRUCTOR IN HISTORY
AT CALIFORNIA INSTITUTE OF TECHNOLOGY

The significance of the courts as instruments of conservative defense in the half century, 1887–1937, has long been established. The decisive period in the development of this judicial conservatism was the 1890's, when rising social tension and popular unrest seemed to demand new and vigorous exercises of judicial power. The transformation of the due process clause into a substantive check

* This paper, in slightly different form, was delivered at the annual meeting of the Pacific Coast Branch of the American Historical Association, Whittier, California, Dec. 29, 1958.

upon legislative regulation, the elaboration of the labor injunction as an antistrike weapon, the emasculation of the Sherman Act in the *E. C. Knight* case, and the overthrow of the federal income tax in the *Pollock* case were related aspects of a massive judicial entry into the socio-economic scene. American constitutionalism underwent a revolution in the 1890's, a conservative-oriented revolution which vastly expanded the scope of judicial supremacy, with great consequence for American economic and political history.[1]

The advance of judicial conservatism in the 1890's was not, however, uncontested. The legal profession itself, contrary to most assumptions, was sharply divided on many phases of the new judicial interventionism, and an important minority of legal progressives[2] protested vigorously against judicial guardianship of the *status quo*.[3] Suspicious of the growing power of corporate capital with its techniques of consolidation and control, sensitive to the exploitation of labor in factories and mines, the legal progressives of the 1890's represented the traditions of a more equalitarian, more socially aware America. Though ideas for reform varied and were often ill-defined, several main themes predominated in progressive legal thought: destruction or close control of the "trusts," strict regulation of the railroads and other public-service corporations, protection of workingmen from unconscionable employers, income and inheritance taxes on great wealth.[4] How these progressives reacted to the changing social atmosphere of the 1890's, and more particularly

[1] Attention has been focused recently on the intraprofessional pathways in the making of this revolution: Benjamin R. Twiss, *Lawyers and the Constitution: How Laissez Faire Came to the Supreme Court* (Princeton, 1942); Clyde E. Jacobs, *Law Writers and the Courts: The Influence of Thomas M. Cooley, Christopher G. Tiedeman, and John F. Dillon Upon American Constitutional Law* (Berkeley, 1954).

[2] The term "progressive" or "progressivism" is used here as descriptive of a political point of view favoring substantial use of government as a lever of change upon existing socio-economic patterns, but stopping short of Socialist, Nationalist, Single-Tax or purely inflationist programs.

[3] The progressive criticism of judicial intervention in the 1890's, which was directed primarily at its social and economic implications, should be distinguished from an equally significant conservative criticism, which opposed on principle the radical innovations in judicial review inherent in the new role of the courts. Oliver W. Holmes, Jr., then on the Massachusetts Supreme Court, was but one, if today the most celebrated, of many such traditional legal conservatives. Though most scholars have overlooked or minimized the various professional cleavages of the period [e.g., Twiss, *Lawyers and the Constitution*, pp. 141, 142, 172; Sidney Fine, *Laissez Faire and the General-Welfare State: A Study of Conflict in American Thought, 1865–1901* (Ann Arbor, 1956), pp. 120–132], see Charles Warren, *The Supreme Court in United States History* (3 vols.; Boston, 1923), Vol. III, pp. 421–426, for an early notice of legal dissidents in the 1890's.

[4] Charles C. Bonney, "Impending Perils," *Ohio State Bar Association – Reports*, Vol. IX (1888), pp. 153–172; Seymour D. Thompson, "The Power of the People Over Corporate and Individual Combinations and Monopolies," *Proceedings of the Illinois State Bar Association at its Fourteenth Annual Meeting* (1891), pp. 81–91; John Gibbons, "Legislation for the Protection of Labor," *Proceedings of the Illinois State Bar Association at its Sixteenth Annual Meeting* (1893), pp. 131–141; E. D. Shattuck, "Liberty Endangered," *Proceedings of the Oregon Bar Association at its Fifth Annual Meeting* (1895), pp. 126–131.

to the new role of the judiciary, is a revealing addendum to the story of American social protest.[5]

In the late 1880's legal progressives had cause for encouragement. The tensions aroused by the Haymarket Riot of 1886 had gradually receded, while the movement for social regulation was gaining strength. The federal government had enacted the Interstate Commerce Act, many states were passing antitrust acts with great pressure mounting for a sweeping federal antitrust law, and state protection against abuses of the labor contract appeared to be a growing trend.[6] Most significant to lawyers, the United States Supreme Court was apparently standing firm by its broad underwriting of the state police power in the great case of *Munn v. Illinois*.[7] In that case, one of the famous "Granger" cases of 1877, the Court had upheld the power of the states to regulate the rates of businesses affected with a public interest, and had declared that the reasonableness of the rates established was a legislative, not a judicial, question. Though in 1886 the Court had permitted corporations to be included under the term "persons" as used in the due process clause of the Fourteenth Amendment,[8] successive cases had reaffirmed, and even extended, the power of the state to regulate private property.[9] The high point in this series of cases had been reached in April, 1888, when the Supreme Court had sustained a Pennsylvania law prohibiting the manufacture of oleomargarine,

[5] As source materials on legal progressivism, I have used the papers and addresses read at the annual meetings of the national and state bar associations, and the articles and editorials printed in the law journals. The categories chosen offer the advantages of *manageability*, permitting examination of complete universes in order to estimate representativeness, and *professionalism*, significant for revealing opinion expressed "in church" as it were. It may be observed here that the sources examined, despite much concern with social discontent, contain surprisingly few references to any specifically agrarian unrest; professional attention was apparently centered, till 1896 at any rate, on capital-labor issues and on the general problems of a corporation-dominated economy. Whether this has any bearing on the standard conceptualizations of the "Populist" and "Progressive" eras is an interesting question beyond the scope of this paper.

[6] Richard T. Ely and L. S. Merriam, "Report on Social Legislation in the United States for 1889 and 1890," *Economic Review*, Vol. I (April, 1891), pp. 234–256; Fine, *Laissez Faire and the General-Welfare State*, pp. 357–359. The most frequent types of labor laws in this period were "store order" acts, often called "scrip" or "truck" acts, providing for payment of wages in lawful money of the United States; coal weighing laws, designed to prevent various types of fraud perpetrated on miners paid on a piece-work basis; and weekly payment laws.

[7] 94 U. S. 113 (1877). For the latest study of the *Munn* and other "Granger" cases, including much valuable material on legislative background, see Charles Fairman, "The So-Called Granger Cases, Lord Hale, and Justice Bradley," *Stanford Law Review*, Vol. V (July, 1953), pp. 587–679.

[8] *Santa Clara County v. Southern Pacific R.R.*, 118 U. S. 394. Howard J. Graham has recently contended that the significance of this case has been overemphasized: "An Innocent Abroad: The Constitutional Corporate 'Person'," *U.C.L.A. Law Review*, Vol. II (Feb., 1955), pp. 160–165.

[9] The principal cases were *Beer Company v. Massachusetts*, 97 U. S. 25 (1878); *Fertilizing Co. v. Hyde Park*, 97 U. S. 659 (1878); *Stone v. Mississippi*, 101 U. S. 815 (1880); *Butchers' Union v. Crescent City Co.*, 111 U. S. 746 (1884); *Stone v. Farmers' Loan and Trust Co.*, 116 U. S. 307 (1886); *Mugler v. Kansas*, 123 U. S. 623 (1887); and *Powell v. Pennsylvania*, 127 U. S. 678 (1888).

Justice Harlan holding that to challenge the good faith of the legislature was to raise "questions of fact and of public policy which belong to the legislative department to determine." [10]

In response to these trends legal progressives were highly optimistic on the eve of the 1890's. Charles C. Bonney, former president of the Illinois Bar Association, issued a confident call to the American bar in midsummer 1888 to take the lead in behalf of popular right "in the great conflict now impending between the people and the giant forces that are striving for the practical control of the republic." [11] Urging greatly expanded state control over labor relations, Bonney declared it a paramount duty of government "to protect the weak against the strong, and to prevent, by stringent laws and their vigorous enforcement, the oppression of the poor and friendless by the rich and powerful." A. H. Wintersteen, the successful counsel for the state in the Pennsylvania oleomargarine case, predicted in the March, 1889, issue of the *American Law Register* that the recent string of Supreme Court decisions would sustain the widest range of legislative discretion.[12] "In a complex social system," he wrote, "the tendency necessarily must be towards affirmative exercise of governmental powers." Exceptionally exuberant was W. M. Rapsher of Mauch Chunk, Pennsylvania, with an article in *Current Comment and Legal Miscellany* entitled "Are We Drifting Towards Pure Democracy?" [13] The latest Supreme Court decisions, he asserted, in vindicating broad legislative powers of the states, reflected the democratic spirit of the times; increased intelligence among the people and new consciousness of their inalienable rights were the underlying factors accelerating the movement to pure democracy. Rapsher admitted, however, that the "political compass . . . [was] hidden by the fog and the smoke of contention."

Three months later, in March, 1890, the legal, if not the political, compass veered sharply, as the United States Supreme Court handed

[10] *Ibid.*, p. 685. The legislature had labeled the act a bill to protect the public health, although it was well known that it was the dairy industry the act sought to protect. The Court's opinion in *Powell*, as in some of the previous cases, did indicate that there were *some* limits to the police power, its exercise not extending to the impairment of fundamental rights under the "pretence" of guarding the public health, morals or safety; and in later years such provisos became pegs on which the Court hinged a reversal of its position.

[11] "Impending Perils," *Ohio State Bar Association – Reports*, Vol. IX (1888), p. 172. Bonney was on the executive committee of the American Bar Association, and in May, 1887, had been seriously considered for appointment to the United States Supreme Court. *Dictionary of American Biography* (20 vols.; New York, 1928–1936), Vol. II, pp. 439–440. For Bonney's work in behalf of collective bargaining, mediation, and arbitration, see *Chicago Legal News*, Vol. XIX (Nov. 20, 1886), p. 81; (April 30, 1887), p. 272.

[12] "The Sovereign State," *American Law Register*, n.s., Vol. XXVIII (March, 1889), pp. 129–139.

[13] Vol. I (Dec., 1889), pp. 447–451.

down its decision in the case of *Chicago, Milwaukee & St. Paul Railway Co. v. Minnesota,*[14] the first of a series of judicial retreats from the *Munn* case. Striking down a Minnesota act establishing a railway commission with power to set schedules of rates to be considered final and conclusive, the Court declared that a commission's schedules must be subject to judicial review by the regular courts of law. The reasonableness of rate regulations, said the Court majority, was "eminently a question for judicial investigation, requiring due process of law for its determination."[15] Three Justices dissented, maintaining that *Munn v. Illinois* had been practically overruled, and warning that courts all over the land would now be called upon to review decisions of state railroad commissions.[16]

Legal progressives were indignant. Seymour D. Thompson, a well-known writer of legal texts, senior editor of the widely read *American Law Review,* and for ten years Judge of the St. Louis Court of Appeals,[17] asserted in an editorial that the effect of the Supreme Court's opinion was "to subject the legislation of the States to judicial superintendence upon the mere question of its *reasonableness.*"[18] The Court's decision, Thompson continued, was thus "an overturning of the fundamental principles upon which all our American governments are founded . . . that the three coordinate departments . . . are independent of each other."

Thompson elaborated his criticism of the Supreme Court in three major addresses delivered at state bar association meetings in 1890, 1891, and 1892. The Fourteenth Amendment, he declared in his 1890 address, "intended for the protection of the liberty of the negro had become a tower of strength to the corporation." Was the Supreme Court, Thompson inquired caustically, "to erect itself into a third house of the legislature of every one of the forty-four states

[14] 134 U. S. 418.

[15] *Ibid.*, p. 458.

[16] *Ibid.*, pp. 461, 465. In 1894 the Court completed the outflanking of the *Munn* case by asserting its power to invalidate rate regulations even if set directly by the legislature: *Reagan v. Farmers' Loan and Trust Co.*, 154 U. S. 362; and in 1898 in *Smythe v. Ames*, 169, U. S. 466, the Court applied the new doctrine in overturning the rate schedules of the Nebraska legislature.

[17] Thompson's many publications included such treatises as *Homestead and Exemption Laws* (1878), *The Law of Negligence* (1880), *The Law of Electricity* (1891), and in seven volumes, his masterwork, *Commentaries on the Law of Private Corporations* (1894–1899). Thompson was editor, successively, of the *Central Law Journal*, the *Southern Law Review*, and the *American Law Review*. He was credited in 1897 with having "long exercised a continuous and virile influence upon legal thought." In 1904 President Theodore Roosevelt appointed him delegate to the international law congress held that year in St. Louis, but Thompson died before he could attend. *Case and Comment*, Vol. III (March, 1897), pp. 1–2; *Albany Law Journal*, Vol. LII (July 13, 1895), p. 31; *National Cyclopaedia of American Biography* (43 vols. to date; New York, 1893–19–), Vol. XIX, p. 28; *Dictionary of American Biography*, Vol. XVIII, p. 471.

[18] *American Law Review*, Vol. XXIV (May–June, 1890), p. 522 [italics in source].

of the Union?" [19] In his 1891 address, after reviewing the decline of competition and the rise of great wealth, Thompson warned the judiciary that irresponsible interference with state regulation of corporate power would provoke a groundswell of public resentment that would endanger even the sanctity of judicial independence.[20] And in 1892, in a forceful passage, he accused the Supreme Court of a long chain of "usurpations" from the *Dartmouth College* case of 1819 to the *Chicago, Milwaukee* case of 1890, all tending ultimately to the end "predicted by Mr. Jefferson, of [the Court] absorbing to itself all the powers of government." [21]

An even fiercer attack on the Supreme Court was made by Allan B. Brown of the Chicago bar. As Brown saw it, the overriding evils of the age – the condition of labor, "the enormous concentration of wealth in a few hands," and the abuse of corporate privileges – had been perpetuated and aggravated by the Supreme Court. From the decisions of John Marshall's day, applying the federal contract clause to state-granted corporation charters, to recent declarations that a corporation was a "person" and a "citizen" and entitled to judicial protection from "unreasonable" regulation, the Supreme Court had thwarted the popular will and elevated the corporation above the state. As a preventive of more such decisions, Brown gave this fervent advice: [22]

> Put men on the bench who will not hesitate to defy precedent, and pull down the moldy monstrosities Marshall and his compeers set up. Make your judges elective so you can keep them in touch with the people and you will find them correspondingly jealous of the people's rights.

At the same time that legal progressives were responding sharply to the Supreme Court's new shift to economic conservatism, they were equally concerned over developments in the state courts, particularly the rise of the doctrine of freedom of contract. The origins and growth of this remarkable doctrine, which would attain an unenviable reputation for judicial opacity before its atrophy in the late 1930's, have been well chronicled by constitutional historians.[23]

[19] "Annual Address," *Proceedings of the Thirteenth Annual Meeting of the Alabama State Bar Association* (1890), pp. 98, 103.

[20] "The Power of the People Over Corporate and Individual Combinations and Monopolies," *Proceedings of the Illinois State Bar Association at its Fourteenth Annual Meeting* (1891), p. 88.

[21] "Abuses of Corporate Privileges," *Ninth Annual Meeting of the Bar Association of the State of Kansas* (1892), p. 41.

[22] *Chicago Legal News*, Vol. XXIV (Aug. 20, 1892), p. 410. For other criticisms of the Supreme Court's decision in the *Chicago, Milwaukee* case, see the *Advocate* (Minneapolis), Vol. II (April 15, 1890), pp. 174–175; *American Law Register*, n.s., Vol. XXXI (April, 1892), pp. 273–280.

[23] The classic study is Roscoe Pound's article, "Liberty of Contract," *Yale Law Journal*, Vol. XVIII (May, 1909), pp. 454–487. An excellent recent analysis is in Jacobs' *Law Writers and the Courts*, pp. 23–63.

By "freedom of contract" or "liberty of contract" was meant the alleged right of employer and employee under the due process clause to contract at will on the terms of employment, unhampered by legislative prohibitions or requirements. Though first used by state courts in the mid-1880's,[24] the doctrine had languished until 1889 when a sudden rash of decisions aroused professional attention. Among the laws annulled in the next few years were "store order" acts of West Virginia, Illinois, and Missouri prohibiting payment of wages in company "scrip";[25] a City of Los Angeles ordinance prescribing the eight-hour day for employees of municipal contractors;[26] the Massachusetts weavers' fines bill, prohibiting fines or deductions of wages because of alleged inferior work;[27] an Illinois coal "screening" law regulating computation of wages to miners;[28] a Texas statute requiring railroads to pay all back wages within eight days after termination of employment;[29] and a weekly payment law of Illinois.[30] What made many of these cases especially striking were the frank *laissez faire* statements appearing in the opinions. Judge Snyder of the West Virginia Court of Appeals, for example, denied the right of the state to regulate the labor contract on the view that government was not authorized "to do for its people what they can do for themselves. The natural law of supply and demand is the best law of trade."[31]

The attack on freedom of contract was led by Seymour D. Thompson, the St. Louis judge and law editor, and easily the most articulate of the legal progressives. "What mockery to talk about the freedom of contract," exclaimed Thompson addressing the Kansas Bar Association in January, 1892, "where only *one* of the contracting parties is free! What mockery to talk about the freedom of contract as between the corporation which has everything and a day laborer who

[24] *Jones v. People*, 110 Ill. 590 (1884); *Millett v. People*, 117 Ill. 294 (1886); and *Godcharles v. Wigeman*, 113 Pa. St. 431 (1886).

[25] *State v. Goodwill*, 33 W. Va. 179 and *State v. Fire Creek Coal and Coke Co.*, 33 W. Va. 188, rendered simultaneously in 1889; *Frorer v. People*, 141 Ill. 171 (1892); *State v. Loomis*, 115 Mo. 307 (1893).

[26] *Ex Parte Kubach*, 85 Cal. 274 (1890). The ordinance also prohibited the employment of Chinese labor, but this was only incidentally referred to in the court's opinion.

[27] *Commonwealth v. Perry*, 155 Mass. 117 (1891). The case was featured by a dissenting opinion of the already well-known Judge Holmes. Holmes maintained that the law should be sustained as a not unreasonable exercise of the legislative power to prevent fraud. *Ibid.*, pp. 123–125.

[28] *Ramsey v. People*, 142 Ill. 380 (1892).

[29] *San Antonio Railway Co. v. Wilson*, 19 S.W. 910 (1892). Appearing in the court's opinion was this remarkable statement: "The employer and employee must always deal at arm's length. Their interest in making the contract is always adverse . . . . Unquestionably, so long as men must earn a living for their families and themselves by labor, there must be, as there always has been, oppression of the working classes." *Ibid.*, p. 912.

[30] *Braceville Coal Co. v. People*, 147 Ill. 66 (1893).

[31] *State v. Goodwill*, 33 W. Va. 184.

has nothing!"[32] The corporation manager, Thompson continued, had less motive to treat his laborers properly than the owner of a horse or the late slave-owner, both of whom had at least a chattel value in their property; worn-out wage-earners on the other hand could quickly be replaced by the throngs of "hungry paupers" always crowding forward. And Thompson added this moving plea:[33]

> Surely the dignity of manhood is not to be thrown into the economic scale with the beasts of burden, or with inert chattels, and left there. Surely the State has some higher office to perform than the mere keeping of the peace among its citizens. Surely the State can find some way, without too much suppressing human liberty, to see to it that every man who is able and willing to work shall get enough to support a family and a house in frugal economy.

Thompson's Midwestern denunciation of freedom of contract was soon followed by two New England criticisms considerably less oratorical but almost equally severe. Herbert H. Darling of Boston, just graduated from the Harvard Law School, argued in the May, 1892, issue of the *Harvard Law Review* that the basic question in all the freedom-of-contract cases was the degree of legislative discretion under the police power. As Darling put it, "An ostensible exercise of the power which in reality cannot be sustained *from any point of view* . . . is undoubtedly invalid; but if there is any doubt, however slight, that doubt must be resolved in favor of the legislature."[34] Several months later, Conrad Reno, a well-known Boston lawyer,[35] writing in the *American Law Review* in support of a system of state arbitration boards which would be empowered, in cases submitted to it by either side, to set minimum wages and maximum hours enforceable at law, had this to say about the freedom-of-contract cases:[36]

[32] "Abuses of Corporate Privileges," *Ninth Annual Meeting of the Bar Association of the State of Kansas* (1892), p. 45 [italics in source]. Thompson maintained a steady drumfire against freedom of contract in the editoial pages of the *American Law Review*, Vol. XXIV (March–April, 1890), p. 328; Vol. XXVI (May–June, 1892), p. 404; Vol. XXVIII (Jan.–Feb., 1894), p. 72; (May–June, 1894), pp. 428–429.

[33] "Abuses of Corporate Privileges," p. 47. Judge John Gibbons of the Cook County Superior Court expressed the same advanced views more positively one year later: "The old thought concerning the sacredness of private property must give way to the natural right to live, and it will soon be established that an honest man, willing and able to work, may demand from society, not as a favor, sustenance and shelter for himself and his family." "Legislation for the Protection of Labor," *Proceedings of the Illinois State Bar Association at its Sixteenth Annual Meeting* (1893), p. 134.

[34] "Legislative Control Over Contracts of Employment: The Weavers' Fines Bill," *Harvard Law Review*, Vol. VI (May, 1892), p. 96 [italics in source].

[35] Reno was active in the industrial arbitration and utilities regulation movements in Massachusetts in the 1890's and 1900's, authoring several books and legislative statutes. *Who Was Who in America* (Chicago, 1942), p. 1,022; *Biographical Dictionary of America* (10 vols.; Boston, 1906), Vol. IX, unpaged.

[36] "Arbitration and the Wage Contract," *American Law Review*, Vol. XXVI (Nov.–Dec., 1892), p. 849.

If there be any benefit in maintaining the independence of the three departments of government, the time seems to have arrived to call a halt upon the encroachments of the judiciary. Progress along economic lines must cease, if the courts have the power to seize upon vague clauses in the constitution to perpetuate the economic views of the past, and to fasten them upon the present as matters of constitutional law, of which the courts are the final judge.

Perhaps the most significant indictment of the freedom-of-contract decisions came from the Far West in an article by C. B. Labatt, a San Francisco attorney and frequent contributor to legal periodicals. Condemning several of the court opinions as, variously, "breathing the very spirit of Mr. Herbert Spencer," distorted by "class prejudices," and filled with "economic prepossessions," Labatt cautioned the judges against building constitutional law on the precepts of political economy. The demands of the laboring classes for legislative protection were bound to increase, he predicted, and the continued intercession of the courts on such doubtful grounds could "scarcely fail to strengthen the impression which is already widely prevalent among workingmen, that the courts are a mere stronghold of capital." [37]

While legal progressives were assessing the impact of new judicial doctrines affecting rate regulation and labor legislation, another new technique of judicial power, the labor injunction, was becoming significant. The labor injunction, first used sporadically in strike situations of the 1880's, attained national prominence in the depression years 1893 and 1894 as widespread industrial conflict and class antagonism brought forth vigorous judicial intervention in behalf of property and order. The climax of the labor strife of the 1890's – and the occasion for the most celebrated uses of the injunction – was, of course, the great Chicago railway strike of June, 1894, when the 150,000-man American Railway Union of Eugene V. Debs undertook a nation-wide sympathy strike in behalf of the 3,000 strikers of the Pullman Corporation. The intervention of the federal courts, and of federal troops to enforce the process of the courts, quickly ended the strike, though not before an atmosphere of class conflict, marked by considerable bloodshed and destruction of property, had sharply intensified the crisis psychology of the times.[38]

[37] "State Regulation of the Contract of Employment," *American Law Review*, Vol. XXVII (Nov.–Dec., 1893), pp. 874–875. It is interesting to compare these early criticisms of a Spencerian reading of the Constitution with Justice Holmes' famous rebuke to the Supreme Court majority in the *Lochner* case of 1905: "The Fourteenth Amendment does not enact Mr. Herbert Spencer's *Social Statics*." 198 U. S. 45.

[38] Social conditions during the depression have recently been re-examined by Samuel

The labor militancy of 1893–1894 and the new uses of the injunction created a conflict of attitudes for legal progressivism. Though legal progressives had long championed the workingman against the corporation and denounced judicial interference with labor laws, they were ambivalent toward unionism: on the one hand, progressives acknowledged the inevitability of unions as counterbalances to capital; on the other hand, many progressives feared that powerful labor organization could crush individualism as much as powerful capital organization. Partly on this basis, and partly because lawyers of all persuasions generally favored protection of property from actual or potential depredation, legal progressives like Seymour D. Thompson had welcomed the early labor injunctions.[39] Extreme applications of the injunction, like the *Northern Pacific* orders of United States Circuit Judge Jenkins prohibiting the mere quitting of work,[40] had received strong disapproval from Thompson and others.[41] The Debs railway strike, however, with its accompanying violence and social excitements, seemed to confirm for these progressives the dangers of militant labor unionism and the need for judicial protection. Thompson, writing in July, 1894, when crisis psychology was endemic, castigated Debs as an "irresponsible vagabond" and a "fiend," and described the strike as "in the nature of a servile insurrection"; the intervention of the courts and the troops, he held, were utter necessities to forestall "anarchy" and "revolution." [42] Ardemus Stewart of the *American Law Register*, progressive on most issues, denounced every strike as a menace to legal right, and advocated "repressive legislation, the more stringent the better." [43]

Progressive rationalism had not vanished, however. Judge B. D. Tarlton, Chief Justice of the Court of Civil Appeals at Forth Worth, while expressing disapproval of strikes and boycotts as remedies for labor's grievances, insisted that the root of industrial conflict lay in the "economic servitude" of the masses of workers. Recommend-

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Rezneck: "Unemployment, Unrest, and Relief in the United States during the Depression of 1893–1897," *Journal of Political Economy*, Vol. LXI (Aug., 1953), p. 327.

[39] *American Law Review*, Vol. XXVII (May–June, 1893), pp. 409–410; see also U. M. Rose, "The Law of Trusts and Strikes," *Report of the Sixteenth Annual Meeting of the American Bar Association* (1893), p. 314.

[40] *Farmers' Loan and Trust Co. v. Northern Pacific Ry. Co.*, 60 Fed. 803 (E. D. Wis.), reversed in part by Circuit Justice Harlan in *Arthur v. Oakes*, 63 Fed. 310 (1894), for imposing "a condition of involuntary servitude."

[41] *American Law Review*, Vol. XXVIII (March–April, 1894), pp. 268–272; *American Law Register*, n.s., Vol. XXXIII (Jan., 1894), pp. 81–82; Walter Murphy, "The Use of the Writ of Injunction to Prevent Strikes," *Report of the First Annual Meeting of the Territorial Bar Association of Utah* (1894), pp. 30–54.

[42] *American Law Review*, Vol. XXVIII (July–Aug., 1894), pp. 591–592, 630–637.

[43] *American Law Register*, n.s., Vol. XXXIII (Sept., 1894), pp. 609–622. See also *Pennsylvania Law Series*, Vol. I (Nov., 1894), pp. 4–18; and *Proceedings of the Oregon Bar Association at its Fifth Annual Meeting* (1895), p. 129.

ing that labor leaders concentrate their efforts on courts and legislatures, Tarlton advocated destruction of the trust with its "unreasonable depression of wages" and a general expansion in the scope of protective legislation.[44] Lee Thornton of Memphis, reading a paper to the Tennessee Bar Association, explained that labor organizations were legal so long as not unlawfully coercive, and urged that the law "reach by summary remedy the calm, cool, calculating combination of capital, as it reaches the turbulent, impulsive one of labor."[45] And Seymour D. Thompson, replying perhaps apologetically to a correspondent's criticism in the *American Law Review*, maintained that "government by injunction was better than no government at all."[46]

If the legal progressives were in disarray in 1894, buffeted by class militancy and national hysteria, in 1895 they were on solid ground again, with issues clearly defined. For in the early months of 1895 the judicial conservatism of the 1890's reached its apogee, as the United States Supreme Court effected the wreckage – for the time at least – of two of progressivism's most cherished programs, prosecution of the trusts and taxation of large incomes.

The first of the great cases of 1895 was *United States v. E. C. Knight Co.*,[47] decided January 21. By this opinion, declaring the Sherman Antitrust Act of 1890 inapplicable to the American Sugar Refining Co., despite its more than 90 per cent monopoly, because the company was a combination in manufacturing only "indirectly" affecting commerce, the Supreme Court at one swoop negated the major intent of the Sherman Act and fractured the national commerce power. Justice John Marshall Harlan, now emerging as the Court's leading sympathizer with the progressive point of view, filed a strong dissent, attacking the opinion as placing the Constitution in "a condition of helplessness . . . while capital combines . . . to destroy competition."[48]

The legal progressives were thrown into an uproar. Ardemus Stewart, the associate editor of the *American Law Register*, concluded a bitter attack on the Court's decision with these words:[49]

[44] "Some Reflections on the Relations of Capital and Labor," *Proceedings of the Thirteenth Annual Session of the Texas Bar Association* (1894), pp. 51–66.
[45] "Strikes," *Proceedings of the Thirteenth Annual Meeting of the Bar Association of Tennessee* (1894), pp. 67–71.
[46] *American Law Review*, Vol. XXIX (May–June, 1895), pp. 473–474. See also the comments of the prominent Judge Reuben M. Benjamin of Bloomington, Illinois, printed in the *Chicago Legal News*, Vol. XXVI (Aug. 11, 1894), p. 406.
[47] 156 U. S. 1.
[48] *Ibid.*, p. 43. For a recent survey of the wide extent of Harlan's dissidence from the conservative court of the 1890's, see Loren P. Beth, "Justice Harlan and the Uses of Dissent," *American Political Science Review*, Vol. XLIX (Dec., 1955), pp. 1,085–1,104.
[49] *American Law Register*, n.s., Vol. XXXIV (Feb., 1895), pp. 89–90.

It is enough to say that if this decision stands, and it is true that the national government is powerless to protect the people against such combinations as this . . . then this government is a failure, and the sooner the social and political revolution which many far-sighted men can see already darkening the horizon overtakes us, the better.

Seymour D. Thompson was equally infuriated: "Such, we are told, is the Constitution which our fathers made for us. They conquered political liberty for us through seven years of blood and privation, and then gave us a constitution under which we are handed over, helpless, bound hand-and-foot, to industrial and commercial slavery." Although amendment of the Constitution might be frustrated, the Supreme Court itself, Thompson gave prophetic warning, could be amended – "even by as drastic a measure as the amendment of the House of Lords by the creation of new peers." [50]

The sensation of the *E. C. Knight* case and the bitterness of progressive reactions were soon overshadowed by the even more arresting *Pollock* case.[51] The *Pollock* case declared unconstitutional the income tax of 1894, a 2 per cent tax on incomes over $4,000 and the first federal income tax in more than twenty years. The many extraordinary features of the *Pollock* case, which have given it a special notoriety in American constitutional history, need no recounting here. It is enough to recall, among other items, that the two hearings required to decide the case were both accompanied by unusual press and public excitement, that distinguished counsel on both sides engaged in highly emotional appeals to class and sectional partisanship, that the final vote demolishing the tax was 5 to 4, that this narrow margin for the negative appeared attributable to one Justice having changed his mind between the first and second opinions, that the constitutional interpretation on which the Court hinged its decision overthrew a hundred years of firmly settled precedent, and that the four minority Justices each delivered forceful dissents, Justice Harlan's being particularly impassioned.[52]

The wrath of the legal progressives seemed to know few bounds. Seymour D. Thompson, writing in the *American Law Review*, accused the Supreme Court of continually encroaching upon the leg-

[50] *American Law Review*, Vol. XXIX (March–April, 1895), pp. 288–289. See also Jackson Guy, "Trusts and Monopolies. The Anti-Monopoly Act: A Review of the Decisions Affecting It," *Virginia Law Register*, Vol. I (Feb., 1896), pp. 707–725.

[51] *Pollock v. Farmers' Loan and Trust Co.*, 157 U. S. 429, and *Pollock v. Farmers' Loan and Trust Co.* (rehearing), 158 U. S. 601.

[52] Interesting material on the more sensational aspects of the *Pollock* case may be found in Robert T. Swaine, *The Cravath Firm and its Predecessors, 1819–1947* (2 vols.; New York, 1946), Vol. I, pp. 518–536; George Shiras 3d, *Justice George Shiras, Jr. of Pittsburgh* (Pittsburgh, 1953), pp. 160–183; and David G. Farrelly's revealing "Harlan's Dissent in the Pollock Case," *Southern California Law Review*, Vol. XXIV (Feb., 1951), pp. 175–182.

islative power and "doing it in almost every case in the interest of the rich and powerful and against the rights and interests of the masses of the people." In a stinging critique of "Government by Lawyers" at the Texas Bar Association, he warned that unless the profession became more responsive to the people, some mighty "popular tempest" could well bring down the entire fabric of law and government.[53] At the Tennessee Bar Association, Henry H. Ingersoll, a former Judge of the Tennessee Supreme Court,[54] made this ominous parallel: [55]

> Forty years ago the owners of peculiar property in the South appealed to the Federal courts for protection against the aggressive agitation of the dominant sentiment of the Christian world . . . and the Dred Scott decision became famous on two continents. But the contention involved in that case could not abide such judicial decision; agitation increased and it was settled on appeal to arms and by wager of battles. . . . In 1895 the owners of vast property in the North appealed to the Federal courts for protection against the popular demand that they who get the benefits of government shall bear their just share of its expenses; and they get it in this decision of the Supreme Court in the income tax cases; Dives wins, Plebs loses. Is the contention settled?

The attack upon the tax case was but one facet of a mounting progressive revolt against judicial interventionism in 1895-1896. The anger of the legal progressives was turned upon the increasing stream of freedom-of-contract cases, and in particular the *Ritchie* case of March, 1895, nullifying the Illinois eight-hour law for women in garment manufacturing.[56] In the words of one writer, the courts had "disregarded elementary principles of constitutional construction"; another accused the courts of enforcing the "dungeon" of the sweatshop and overturning laws which were "the very bulwark of liberty." [57] The recent Supreme Court decision unanimously

[53] *American Law Review,* Vol. XXIX (Sept.–Oct., 1895), pp. 742–745; "Government by Lawyers," *Proceedings of the Fifteenth Annual Meeting of the Texas Bar Association* (1896), pp. 64–85.

[54] A former president of the Tennessee Bar Association as well as Supreme Court Judge, Ingersoll was also Dean of the Law Faculty of the University of Tennessee from 1891 to 1914, and a vice president of the American Bar Association, 1907–1913. *Who Was Who in America, 1897–1942*, p. 618.

[55] "The Revolution of 20th May, 1895," *Proceedings of the Fourteenth Annual Meeting of the Bar Association of Tennessee* (1895), p. 180. For a similar comparison with the Dred Scott case, see the paper of David E. Bailey, "Stare Decisis," *Proceedings of the Washington State Bar Association* (1895), pp. 72–83, and the fascinating discussion it provoked reported from pp. 26 to 31. Other contemporary criticisms of the tax case: *American Lawyer*, Vol. III (June, 1895), pp. 228–229; *Harvard Law Review*, Vol. IX (Oct., 1895), pp. 198–210; *Proceedings of the Nineteenth Annual Meeting of the Alabama State Bar Association* (1896), pp. 7–10, and Appendix, XXII–XLVI.

[56] *Ritchie v. People*, 155 Ill. 98.

[57] S. S. Gregory, "Constitutional Limitations on the Police Power," *North Western Law Review*, Vol. IV (Nov., 1895), p. 50; Darius H. Pingree, "The Anti-Trust Laws, and Some Other Laws – A Legal Criticism," *American Lawyer*, Vol. III (Sept., 1895), p. 387. See also *Chicago Legal News*, Vol. XXVII (March 30, 1895), p. 274; *American Law Review*, Vol. XXIX (March–April, 1895), pp. 236–266; and (Sept.–Oct., 1895), pp. 766–768.

upholding the Debs injunctions,[58] though seldom criticized in its own right (as noted above, most legal progressives had opposed the Pullman boycott), was unfavorably regarded for its striking contrast to the *E. C. Knight* and *Pollock* cases: a clear demonstration, it was asserted, of judicial one-sidedness in behalf of the wealthy classes.[59]

Accompanying these attacks upon specific aspects of the new judicial supremacy was the emergence of a wave of constitutional radicalism. In a series of articles in the *American Law Review*, Sylvester Pennoyer, former Democratic-Populist Governor of Oregon, characterized the system of judicial review as "usurpation" by "judicial oligarchy," first instigated by the "plausible sophistries" of John Marshall. Congress should impeach the majority Justices in the tax case, he declared, teach the Court a well-deserved lesson, and thus restore the Constitution to its original purity.[60] Pennoyer was soon joined by Justice Walter Clark of the North Carolina Supreme Court, advocating constitutional amendments which would make elective, and for a term only, all federal judges.[61]

The expanding professional protest against judicial conservatism merged with the political crisis of 1896. As Populists and left-wing Democrats gained strength, the Supreme Court was soon lumped with Wall Street and President Grover Cleveland as objects of radical scorn. Illinois Governor John P. Altgeld, who had bitterly denounced Cleveland's intervention in the Pullman strike as "Government by Injunction" and the Supreme Court as "lackeys of capitalism," became perhaps the most powerful behind-the-scenes figure in the Democratic intraparty conflict.[62]

The Democratic insurgents who captured the Chicago convention and nominated William Jennings Bryan on a free-silver anti-Wall Street platform also took due notice of the judiciary. Three separate anticourt planks were included in the platform: one plank criticizing the income tax decision and hinting that the Supreme

[58] In Re Debs, 158 U. S. 564 (1895).

[59] Percy L. Edwards, "The Federal Judiciary and its Attitude towards the People," *Michigan Law Journal*, Vol. XV (June, 1896), pp. 183–194.

[60] *American Law Review*, Vol. XXIX (July–Aug., 1895), pp. 550–558; (Nov.–Dec., 1895), pp. 856–863; Vol. XXX (March–April, 1896), pp. 188–202. A short summary of Pennoyer's interesting and highly nonconformist political career is in the *Dictionary of American Biography*, Vol. XIV, pp. 445–446.

[61] "Constitutional Changes which are Foreshadowed," *American Law Review*, Vol. XXX (Sept.–Oct., 1896), pp. 702–709. Clark remained on the North Carolina bench till his death in 1924, always steadfast in his advocacy of advanced progressive reform and a radically democratized Constitution. Aubrey L. Brooks, *Walter Clark, Fighting Judge* (Chapel Hill, 1944).

[62] Alan F. Westin, "The Supreme Court, the Populist Movement and the Campaign of 1896," *Journal of Politics*, Vol. XV (Feb., 1953), pp. 3–41; Harvey Wish, "John P. Altgeld and the Background of the Campaign of 1896," *Mississippi Valley Historical Review*, Vol. XXIV (March, 1938), pp. 503–518.

Court might well be packed to secure a reversal, another characterizing government by injunction as a form of judicial "oppression," and a third opposing life tenure in the public service except as provided in the Constitution.[63] The effect of these planks on the following campaign was considerable; for with traditional symbols under challenge in both the constitutional and the monetary fields, the conservative defense became especially fierce, and proved effective. In the legal profession, men of both parties worked actively against Bryan, isolating the advanced progressives.[64]

The campaign of 1896 turned out to be the last peak in the crisis of the 1890's. Shortly after the defeat of Bryan, the business cycle moved upward again, socal tension lessened, and the public was soon absorbed in the Cuban situation. The trend of court decisions became, temporarily, more liberal,[65] and the forces of social protest were channeled into less sensitive areas. The conflict over the courts in the mid-1890's, however, had clearly foreshadowed the more decisive struggle of the 1930's, when a politically conservative Supreme Court in a time of crisis would again arouse a formidable progressive revolt against judicial supremacy.

[63] Thomas H. McKee, *The National Conventions and Platforms of all Political Parties 1789 to 1904* (Baltimore, 1904), pp. 294–295, 296, 297. The plank on life tenure would affect district and circuit court judges.

[64] See Westin, *op. cit.*, pp. 32–39, for quotations from a number of conservative sources illustrating the excitement generated by the anticourt planks. The Cleveland wing of the Democracy for example, which seceded from the regular organization and set up its own ticket, devoted several paragraphs of its National Democratic platform to pledging support to the Supreme Court. McKee, *op. cit.*, p. 318. For evidences of concerted anti-Bryan activity within the legal profession, see the *Albany Law Journal*, Vol. LIV (July 18, 1896), p. 33; (July 25, 1896), p. 49; (Oct. 31, 1896), p. 278; (Nov. 7, 1896), p. 289; King, *Melville Weston Fuller*, pp. 234–235; Swaine, *The Cravath Firm*, Vol. I, pp. 557–559. Seymour D. Thompson illustrates the dilemma that must have confronted many legal progressives; to begin with, he approved of only part of the judicial plank, opposing the attack on the injunction: *American Law Review*, Vol. XXX (July–Aug., 1896), p. 579; later he stated he was voting for McKinley because he disliked Bryan's monetary position: *ibid.* (Sept.–Oct., 1896), p. 757. J. C. Rosenberger, mildly progressive editor of the *Kansas City Bar Monthly*, was outraged by the anticourt planks (Vol. I [Aug., 1896], p. 193).

[65] Two of the more important decisions reflecting the new trend were *Holden v. Hardy*, 169 U. S. 366 (1898), sustaining a Utah eight-hour law for miners, and *Knowlton v. Moore*, 178 U. S. 41 (1900), affirming an inheritance tax with progressive rate features.

The Anatomy of Prejudice

Origins of the Robber Baron Legend

Who were the originators of the Robber Baron concept? Not the injured, the poor, the faddists, the jealous, or a dispossessed elite. Rather, it was a frustrated group of observers led at last by protracted years of harsh depression to believe that the American dream of abundant prosperity for all was a hopeless myth.

by John Tipple
ASSISTANT PROFESSOR OF HISTORY
AT LOS ANGELES STATE COLLEGE

It is strange that in the United States where business success usually has been highly prized, the big businessman should have been subject to an intense critical attack such as took place between the years 1865 and 1914. There have been numerous attempts to explain this American paradox, ranging from the psychopathological exegesis based upon the personal frustrations of the unsuccessful to the Marxist generalization of capitalistic exploita-

tion and class struggle. No doubt there is something of the truth in each of these explanations, but none of them, it seems to me, offers a wholly satisfactory interpretation of a rather complicated phenomenon.

The Robber Baron legend is an outgrowth of the hostile criticism which was directed against the big businessman in the latter part of the nineteenth century. The phrase is believed to have been coined by Carl Schurz in 1882 and was used in his Phi Beta Kappa oration at Harvard University to describe certain big businessmen whose highly individualistic practices seemed to him suggestive of the warlike pillagings of the feudal nobility of the Middle Ages.[1] Schurz's telling epithet stuck, and through subsequent usage by the press and popular magazines, "Robber Baron" became a sobriquet for big businessmen in general. Like many idiomatic expressions, its inference broadened with use, and by 1900 "Robber Baron" not only had become a journalistic synonym for a certain disreputable type of big businessman but carried the further insinuation that pernicious conduct was typical of all big businessmen, amounting to nothing less than a wholesale indictment of the entire business elite in America for presumed improper or immoral practices.

While the aversion of the so-called "Robber Baron" for his critics can be easily understood, the critics' pronounced hostility toward the big businessman cannot be so readily accounted for. Although the epithet, "Robber Baron," is plain enough, it would be a rank oversimplification to maintain that business immorality alone was the reason behind the critical attack. Undoubtedly the moral issue was involved, but by itself it fails adequately to explain the whole complex of charges levied against the big businessman.

To discover what lay behind the prejudice against the big businessman, it was essential first to identify his critics — who they were as individuals, what classes and sections of American society they came from, and especially what occupations and ideological points of view they represented. Extracting the critic from his milieu proved difficult, however, because it required the setting-up of arbitrary, yet judicious standards of discrimination. Merely to list 12 or 20 of the best known meant excluding those who expressed perhaps a minority viewpoint but were nonetheless equally outspoken and vigorous critics of big business. It seemed more to the point, therefore, to select a group which was representative rather than re-

[1] Presumably the term was inspired by a magazine article written by Henry Demarest Lloyd. See Chester McArthur Destler, "Entrepreneurial Leadership Among the Robber Barons: A Trial Balance," *The Tasks of Economic History*, a special supplement to the *Journal of Economic History*, Vol. VI (1946), p. 28.

strictive and which included as many individuals and as many ideological points of view as would be practicable. With this end in mind, 50 representative critics were chosen who, probably more than any others, were collectively responsible for the creation and propagation of the Robber Baron legend.[2]

An analysis of this group showed that, taken as a whole, their general affinity was much more striking than any individual differences between them. Not only were they united in a common hostility to the "malefactors of great wealth," but, compared with big businessmen, they were a decidedly more homogeneous group by origin and outlook as well as in the uniformity of their aims. Virtually all of them were native-born, only two were of foreign origin. The majority grew up in small towns, mostly in the Midwest, and came from middle-class families having professional or small business standing. In education the critics were far above the average of their day. Practically all had a high school education or better. Most of them, 35, had graduated from college, and about 40 per cent of the group had done graduate study here or abroad, some holding advanced degrees in law or the liberal arts. Seven of the number were Ph.D.'s.[3] By occupation almost all of the critics were writers or, in many instances, combined writing with another profession such as law, teaching, or the ministry. Eight had been novelists at one time or another, and two were Presidents of the United States.[4] Only two, however, approached the big businessman classification: Charles Francis Adams, Jr., who was chairman of the board of the Union Pacific Railway from 1884 to 1890, and Thomas Lawson who was a Boston stockbroker and financier.[5]

Since the critics seem to have been a fairly homogeneous group, it would be reasonable to suppose that perhaps collectively they had suffered injury at the hands of the big businessman. Yet, the extreme bitterness and the sweeping nature of the accusations against the Robber Baron cannot be accounted for solely on the basis of the economic injury which he might have inflicted. For one thing — and here arises a most interesting paradox — none of the leading critics, with the possible exceptions of Ida Tarbell and Thomas Lawson, suffered directly at the hands of the so-called "malefactors of great

[2] See Table I.

[3] Richard T. Ely, Burton J. Hendrick, Edward A. Ross, Albert Shaw, Thorstein Veblen, Walter Weyl, and Woodrow Wilson.

[4] The eight novelists were Henry Adams, Edward Bellamy, Ignatius Donnelly, William Dean Howells, Mary E. Lease, Frank Norris, David Graham Phillips, and Upton Sinclair. It should be pointed out that three (Adams, Donnelly, and Lease) were only part-time novelists.

[5] For a statistical breakdown see Table II.

wealth."[6] On the contrary, their position in most instances was so far removed from the actual conflict that their overt concern seemed contrived and tempted the businessman to dismiss them as mere agitators or mischiefmakers. This appraisal of the critics was natural, if not entirely accurate, and indicated the need for some sort of explanation. The clue at least was there. In this intrinsic contradiction there was an intimation that the area of probable injury extended beyond the bounds of corporate competition and a strong suggestion that perhaps the major offenses of the Robber Baron were not mainly economic in character. Certainly a most casual reading of history would indicate that because of the extent and the revolutionary nature of his corporate activities, the big businessman probably infringed upon the interests of others whose concern lay chiefly outside the world of business and who, in consequence, may have brought into effective action against him the diversified weapons of political machination, social ostracism, intellectual snobbery, religious zealotry, and moral opprobrium.

Recently the origin of the critical attack has been variously ascribed to literary faddism, loss of status, and simply to the frustrations of certain intellectuals.[7] Within limits, all of these theories can be argued plausibly and with some validity, but none explains adequately or convincingly the general rationale behind the assault. Muckraking as a literature of exposure may have been to some extent a fad and may have made some superficial concessions to the contemporary vogue of realism, but its roots were deeper.[8] Muckraking, moreover, had at most a limited existence as a separate phenomenon — little more than a decade — while the campaign against the big businessman was much longer lived and infinitely more varied in expression. Likewise, the provocative idea of a status revolution falls short of the mark. The initial observation that in the late nineteenth century responsible leadership in America began to pass from the older commercial and professional elements of the community into the hands of the big businessman or his representative seems indisputable, but the conclusion that the resultant loss of status set up strong resentments among the dispossessed which

[6] Both had unhappy memories of the Standard Oil Company. Miss Tarbell's father had been an independent oil producer displaced by Standard, and Lawson claimed to have been outmaneuvered in certain speculative dealings with the Standard hierarchy. For details see Ida Tarbell, *All In The Day's Work* (New York, 1939), pp. 202–205; and Thomas W. Lawson, *Frenzied Finance* (New York, 1905).

[7] C. C. Regier, *The Era of the Muckrakers* (Chapel Hill, 1932), p. 214. Richard Hofstadter, *The Age of Reform* (New York, 1955), pp. 131–173. Ludwig von Mises, "What's Behind the War on Business," *United States News & World Report*, Oct. 19, 1956, pp. 156–175.

[8] Robert Cantwell, "Journalism — the Magazines," Harold E. Stearns, ed., *America Now* (New York, 1938), p. 347.

found its ultimate expression in a bitter condemnation of the new leadership can be accepted only within certain limitations.[9] Such intangible social forces may well have moved critics like Henry and Charles Francis Adams, Jr., who seemingly felt that they had undergone a definite loss in familial prestige; however, there is little concrete evidence to prove that this feeling was widespread or even shared by the majority of critics. Nor is it by any means certain that the old elite was actually displaced – rather, in the light of recent investigations, it would appear that their leadership frequently was passed on as a legacy to their sons who in turn became the big business leaders of the succeeding generation.[10] Also, with certain spectacular exceptions, the status gap between the big businessman and his critics probably was never as great as has been usually presumed. If "Robber Baron" is accepted as a generic term for the business elite, as was often its popular usage, then the differences in origin are relatively slight. Both stemmed predominantly from middle or upper-middle class American families of business or professional status. Both came from urban as distinct from farm backgrounds. The sectional difference was inappreciable, and while the critics, as a rule, had more advanced schooling, a significantly large proportion of big businessmen had attended college. Moreover, to attribute the motivation of the critical attack entirely to the supposed "status revolution" would place an unjustified emphasis upon the factors of environmentalism, while at the same time negating the importance of individual judgment. Not only does this explanation lean heavily upon determinism, but it is strongly apologetic in tone, implying falsely that the campaign of censure against the big businessman was unrealistic, lacking in validity, and based not on conscious values but merely the reflection of certain subconscious enmities.

Similarly the "sour-grapes" theory which links the critical attack directly to the material frustrations of the American intellectual suffers from even more severe limitations. To begin with, it ignores or lacks a satisfactory explanation for the wide popular support behind the critics. Secondly, such a Hobbesian conception presupposes that all men, at least all Americans, have the same values – that is, that they are all dominated by the urge for material power

[9] Though Hofstadter recognizes these limitations, he nevertheless feels that loss of status was the primary motivation (*The Age of Reform*, p. 149 *et seq.*).

[10] In the 1870's, 64 per cent of the business elite were sons of business or professional men of relatively high social standing; and in the following generation 77 per cent of the business leaders of 1901–1910 came from this older elite. See the studies made by Frances W. Gregory and Irene D. Neu, "The American Industrial Elite in the 1870's; Their Social Origins," *Men in Business* (Cambridge, 1952), William Miller, ed., p. 202.

or possessions. This is, of course, a patent exaggeration and at best a half-truth. Undoubtedly some criticism of the big businessman originated in sheer envy of his wealth, his position, or possibly his money-making abilities; yet, although covetousness and self-seeking are common to the human race, happily they are not always dominant. Most critics, moreover, were seldom in severe financial straits. As an example, Henry Demarest Lloyd, one of the most virulent, was comfortably situated and never had reason to envy the economic well-being of the corporation millionaire.[11] Few critics were ever as desperate for funds as was Horatio Alger, the novelist laureate of the self-made man. Furthermore, not all of the critics could be properly classified as frustrated "intellectuals" unless in its opprobrious usage the definition can be stretched to include all those who read and write. And yet, while the hypotheses of the thwarted intellectual and the dispossessed leader must both be rejected as incomplete within themselves, there seems little doubt that frustration on a much wider scale was the most potent factor underlying the critical attack.

The people, as Herbert Croly discerningly observed of his contemporaries, "still believe that somehow and sometime something better will happen to good Americans than has happened to men in any other country; and this belief, vague, innocent, and uninformed though it be, is the expression of an essential constituent in our national ideal."[12] This conviction revolved largely around a vision of the future in which there would be an abundant and accessible prosperity for all, and it had endured practically unchallenged for the better part of two centuries. To the American mind this persistent dream of economic well-being was inseparably bound to the ideal of self-government in which control was exerted not from above but rather by the individual himself. Such identification was possible because to the average American self-government meant economic individualism — the freedom to earn a living in his own way. Economic individualism, however, was predicated upon the assumption of free competition and equal opportunity, conditions which seemed to exist in workable form at the beginning of the nineteenth century. Thus the myth which grew up around what Croly termed the "Promise of America" embodied several distinct but closely related concepts: economically, it stood for free enterprise and free competition; politically, it upheld government by the

[11] Chester McArthur Destler, "Wealth Against Commonwealth, 1894 and 1944," *American Historical Review*, Vol. L (1944), pp. 49–72; reprinted in *American Radicalism, 1865–1901* (New London, Conn., 1946), p. 136.

[12] Herbert Croly, *The Promise of American Life* (New York, 1912), p. 3.

people and for the people as the natural goal and inevitable end of American society; socially, it presumed equality of opportunity and the equitable distribution of goods; and ethically, it expected fair play in accordance with certain ambiguous principles of natural philosophy and the doctrines of the Christian religion. So long as it could be tacitly supposed that the American economy would expand indefinitely, the reality of this mythical structure was accepted without question, for it was believed to guarantee the automatic fulfillment of the national promise at some vague date in the future when, through some miraculous inherent mechanism, individual greed and ruthlessness would be reconciled with justice and the general welfare. Once, however, the majority of Americans felt they were not prosperous enough, and economic realities were such that it could no longer be blandly assumed that they were going to get their fair share tomorrow — or ever — then they succumbed to their own delusion. Having identified myth as reality, they concluded that the whole structure of the American political economy was breaking down, and they joined in an angry search for the wrecker.

Needless to say, such an edifice, economic or political, had never existed, but never before had it become so obvious as in the late nineteenth century that these fanciful precepts played no real part in the everyday world of American life. In an industrialized economy subsidized by government and characterized by special privilege and corporate monopoly, the "free market" stood out as a stark academic abstraction. The archaic shibboleth of Jacksonian democracy, "government of the people, by the people" was belied by the business dictum: "What is good for business is good for the country." Only a dazzling feat of the imagination could stretch the doctrine of equality from the mansions of Fifth Avenue to the East Side tenements, while on Wall Street it would have taxed a sophist to follow the fine distinction drawn between honesty and the best policy.

Despite exuberant business booms and enormous economic expansion, the period from 1865 to 1914 was one of economic instability for the nation at large. The years 1873 to 1896 have, in fact, been referred to as a "long-wave" depression. Within this span of twenty-three years, the country underwent two major depressions, in 1873 and again in 1893, which lasted nearly ten years. In the first decade of the twentieth century prosperity was twice checked by financial upsets. The Panic of 1903 which put an end to the great consolidation boom revealed that American business was operating under overloaded capital structures, while the so-

called "Rich Man's Panic of 1903" dramatically disclosed the inefficiency and inelasticity of our credit system. An even more disastrous depression might have occurred in 1913 and 1914 had it not been for the sudden influx of war orders from Europe. Over the entire period between the end of the Civil War in 1865 and the beginning of World War I in 1914 there were only seventeen-and-a-half partly or wholly prosperous years out of fifty, indicating quite clearly that for at least 65 per cent of the time some parts of the American economy were suffering financial distress.[13] Though not always recognized, it was this blunt fact that triggered the attack against the big businessman.

In this respect, the effects of prolonged depression were twofold. To begin with, it brought about a change in the business structure of the country. The prevalent economic uncertainty, as Edward C. Kirkland points out, "challenged the business community to bring disorder under control, to substitute order and calculation for confusion, to 'rationalize,' as we now say, the conduct of business."[14] And certainly these purposes were visibly implemented by the growth of big business and the accelerated movement toward consolidation. A second effect of these depression years had been to impoverish certain areas of the economy, leaving them in a semi-permanent condition of economic distress. Since for the most part the groups so afflicted had been unable to rationalize successfully their economic difficulties as big business had done, they imputed their failure to the visibly changing structure of big business which, according to their thinking, had upset the "natural" economic balance and thereby brought disaster upon the rest of the economy. It was not surprising, therefore, that the first assault against the big businessman was led off in the name of the American farmer who had been among the first to feel the pinch of depression. Although there were other factors involved, the rapid transformation of the United States from an agricultural toward an industrial base had tended to make farming subservient to the rest of the economy. As Theodore Saloutos has observed, "Perhaps no development of the nineteenth century brought greater disappointment to the American farmers than did their failure to realize the prosperity that they had expected from industrialism."[15] Most significant from this point of

[13] N. S. B. Gras and Henrietta M. Larson, eds., *Casebook in American Business History* (New York, 1939), pp. 706–714. Willard Long Thorp, *Business Annals* (New York, 1926), pp. 206–212.

[14] Edward Chase Kirkland, *Dream and Thought in the Business Community: 1860–1890* (Ithaca, 1956), p. 26.

[15] Theodore Saloutos, "The Agricultural Problem and Nineteenth Century Industrialism," *Agricultural History*, Vol. XXII (1948), p. 156.

view was the fact that the period from 1870 to 1895, when the real per capita income of the farmer fell badly behind that of the rest of the country, was precisely the interval during which the Granger and Populist agitation against big business reached its peak.[16] Nor should it have been totally unexpected that with the rising prices of 1897–1913 the farmer's animosity toward the big businessman slacked off somewhat, while his place as chief assailant was taken over by the middle-class urbanite who now found himself squeezed by the increased cost of living which rose a phenomenal 39 per cent during those same years.[17]

Without exaggerating the role of economic factors or slipping into the facile thesis of dialectical materialism, it seems plain that the failure to achieve a balanced prosperity was initially responsible for bringing the traditional myth into question, and this very real discontent acted as the incipient spark which set off the more intangible movement of protest that ultimately found its target in the big businessman. "In case the majority of good Americans were not prosperous," said Herbert Croly, "there would be grave reasons for suspecting that our institutions were not doing their duty."[18] That such suspicions had taken hold of the American people was obvious to the most casual observer. Public anxieties became incarnate in the Granger, Populist, and Progressive revolts, and the depth of popular apprehension was attested to by the President of the United States. "At this moment," declared Theodore Roosevelt in 1906, "we are passing through a period of great unrest – social, political, and industrial unrest. . . ."[19] The dream had been illusory, but disillusionment was certain and real. To millions of Americans there had come a profound and bitter disenchantment:[20]

> Even the mass of men – that experimental, inventive, but curiously conservative group of average Americans, – though voting instinctively, is beginning to feel that in essential respects the nation "conceived in liberty" had not borne its expected fruits. . . . The "unalienable rights" have not availed against unemployment or the competitions of the stronger.

It was intrinsically a people's movement. Out of their genuine deeply felt disappointment the critic rose to give voice and direction to their inchoate gropings. It was the people who created the critic, not the other way round. Though by his writings he propagandized their grievances, constantly agitating and recruiting for their cause,

[16] *Ibid.*, p. 160.
[17] Paul H. Douglas, *Real Wages in the United States 1890–1926* (Boston, 1930), p. 41.
[18] Croly, *op. cit.*, p. 11.
[19] *The New York Times*, April 15, 1906, p. 2, col. 2.
[20] Walter E. Weyl, *The New Democracy* (New York, 1912), p. 4.

he as a critic was essentially their creature, as William Allen White confessed, simply a product of their aspirations. "What the people felt about the vast injustice that had come with the settlement of a continent," said White, "we, their servants — teachers. city councilors, legislators, governors, publishers, editors, writers, representatives in Congress and senators — all made a part of our creed and so carried the banner of their cause." [21] In similar vein S. S. McClure, dean of the muckraking publishers, liked to point out that in his opinion the start of the movement had been largely accidental, that it came from no calculated plan to attack existing institutions but was simply "the result of merely taking up in the magazine some of the *problems that were beginning to interest the people a little before the newspapers and other magazines took them up.*" [22] And it is a fact that the best-known critics — Ida Tarbell, Lincoln Steffens, Ray Stannard Baker, David Graham Phillips and others of equal rank — were drafted into muckraking by various editors and publishers. None of them in the beginning had been motivated by an overwhelming antibusiness bias, which would tend to dispel the notion that the attack against the big businessman was led chiefly by embittered intellectuals suffering from personal frustration or obsessed by an impelling sense of social inferiority.[23] Rather, indications are much more to the effect that the critics merely reflected popular sentiment, holding up a mirror to the people at large. Ray Stannard Baker and other muckrakers had been astounded by the extraordinary reception which the early "exposure" articles had had in every part of the country. "We at *McClure's* immediately felt the response — hundreds of editorials and quotations in the newspapers, a deluge of letters, commendations or attacks in political speeches, even references in sermons. . . . We were often sold out at the newsstands, and our subscription list, as the manager used to say, was 'gaining fast on the upgrade.'" [24] As the campaign advanced, it became incontrovertibly clear that the critics had never been alone in the assault but were serving only as an eloquent vanguard for an ever-increasing number of anxious and indignant Americans.

The rationale behind the critics' attack, then, was fundamentally the same as that which moved the American people to question their traditional beliefs. While it is true that some critics may have

[21] William Allen White, *The Autobiography of William Allen White* (New York, 1946), p. 429.

[22] S. S. McClure, *My Autobiography* (New York, 1914), p. 246. [Italics: John Tipple.]

[23] Tarbell, *Day's Work*, p. 280; Lincoln Steffens, *The Autobiography of Lincoln Steffens* (New York, 1931), p. 357; Ray Stannard Baker, *American Chronicle* (New York, 1945), p. 94; Regier, *op. cit.*, p. 110.

[24] Baker, *op. cit.*, pp. 183–184.

been motivated by personal considerations or dislike, the movement as a whole was far too extensive to have been founded upon or maintained by the idiosyncrasies of a few. This does not mean, however, that there was rigid conformity in their approach. Though their target remained always the same – the big businessman – the mythical system from which American practice supposedly had departed and which they sought to restore assumed almost as many shapes as there were leading critics. Some of them meant thereby a paradoxical condition wherein the free market was to be attained by government regulation. To others it meant the overthrow of the plutocracy and a return to popular government. Many meant nothing more than the strict enforcement of existing laws, while still others had in mind a spiritual awakening which was to be achieved by strenuous revivalism and which would somehow implant the mystique of Christ into the hearts of businessmen. Yet, almost without exception, in the beginning the critics conceived of the problem in terms of a pattern of breakdown and restoration which was largely mythical but nonetheless a sincere and powerful driving force behind the critical attack. This sense of breakdown, the feeling that something had intervened to change things in America, was voiced by William Allen White in *The Old Order Changeth* (1910); [25] and a year later in 1911, Woodrow Wilson made somewhat the same declaration. "Our life has broken away from the past," said Wilson, asserting that what they were fighting for in the so-called radicalism was to make American ideals real instead of a sham.[26] The profound feeling of disenchantment, the overwhelming sense of ideological breakdown that had moved the critic to action was later summed up by Lincoln Steffens. He found the ideals of America to be "antiquated, dried up, contradictory." To him there seemed to be an intrinsic conflict between "honesty and wealth, morality and success, individual achievement and respectability, privileges and democracy." [27] With Steffens, as with others, the self-imposed task of the critic was to get at the root of this contradiction and to discover, if possible, why the old ideals no longer held true for contemporary society. Some, a minority, sought a rational explanation; others, the majority, hunted for a culprit.

The blame fell upon the big businessman. His spectacular rise to positions of social, economic, and political power seems to have been

[25] William Allen White, *The Old Order Changeth* (New York, 1910), pp. 3, 7.

[26] Address at Kansas City, Missouri, May 5, 1911, and first inaugural address, Washington, March 4, 1914; August Heckscher, ed., *The Politics of Woodrow Wilson* (New York, 1956), pp. 167, 179.

[27] Steffens, *Autobiography*, p. 494.

popularly interpreted as tangible evidence of the apparent breakdown of the mythical promise of American life. The result was that the critics, like the public, seeing a direct causal relationship between the rise of the big businessman and the apparent failure of democratic ideals, initiated a vituperative attack through books, newspapers, and popular magazines to condemn him as a destroyer of American traditions.

Thus the creation of the Robber Baron stereotype seems to have been the product of an impulsive popular attempt to explain the shift in the structure of American society in terms of the obvious. Rather than make the effort to understand the intricate processes of change, most critics appeared to slip into the easy vulgarizations of the "devil-view" of history which ingenuously assumes that all human misfortunes can be traced to the machinations of an easily located set of villains — in this case, the big businessmen of America. This assumption was clearly implicit in almost all of the criticism of the period. Even Theodore Roosevelt, when defending the businessman and making his celebrated denunciation of the muckrakers, succumbed to this facile projection, asserting with robust conviction that the American people were united in their "determination to punish the authors of evil" whoever they might be.[28] It was not a reasoned response. As some of the critics themselves realized, it was a sentimental revolt, an attitude of mind.[29]

> Not all our antagonism to the plutocracy is based upon an intelligent study of causes. Much of it is merely an instinctive anger, not free from considerations on a low plane. Much is exaggerated, wrong-headed, puerile, even insincere. Envy, hatred, and uncharitableness walk arm in arm with a flaming altruism. Our antipathy is a curious compound of good and evil motives, of wisdom and ignorance.[30]

To an extent the big businessman brought it upon himself. By reason of his overwhelming economic eminence, he loomed as the most conspicuous directive force in American society. He and his associates, as Henry Demarest Lloyd asserted, had succeeded in making themselves the emblematic figures of a whole civilization.[31] To all appearances the big businessman had been in charge. If things had gone wrong, if the traditional American values had been subverted, then he was held to blame. Rightly or wrongly, the big businessman stood accused.

[28] *The New York Times*, April 15, 1906, p. 2, col. 2.
[29] William J. Ghent, *Our Benevolent Feudalism* (New York, 1902), p. 170.
[30] Weyl, *op. cit.*, p. 244.
[31] Henry Demarest Lloyd, *Wealth Against Commonwealth* (New York, 1894), p. 502.

TABLE I

Fifty Representative Critics [a]

Lyman Abbott	Mary E. Lease
Charles Francis Adams, Jr.	Alfred Henry Lewis
Henry Adams	Benjamin B. Lindsey
Samuel Hopkins Adams	Henry Demarest Lloyd
Ray Stannard Baker	J. Warner Mills
Edward Bellamy	Gustavus Myers
Louis D. Brandeis	Frank Norris
John Graham Brooks	Frank Parsons
William Jennings Bryan	David Graham Phillips
Christopher P. Connolly	Sereno S. Pratt
Herbert Croly	Walter Rauschenbusch
Ernest Howard Crosby	Jacob Riis
Eugene Debs	Theodore Roosevelt
Ignatius Donnelly	Edward A. Ross
Richard T. Ely	Charles Edward Russell
Benjamin O. Flower	Albert Shaw
Henry George	Upton Sinclair
William J. Ghent	John Spargo
Washington Gladden	Lincoln Steffens
Burton J. Hendrick	Ida Tarbell
George T. Herron	Thorstein Veblen
William Dean Howells	James B. Weaver
Robert Hunter	Walter Weyl
Robert LaFollette	William Allen White
Thomas Lawson	Woodrow Wilson

[a] The primary criteria used in the selection of the 50 were time and content. Those chosen lived and were active in the period 1865–1914, and all were distinguished by an attitude of critical hostility toward the big businessman as evinced by their actions, writings, and speeches. To reduce the list to workable size, however, it was necessary to employ other standards of a more restrictive nature and to exclude those critics who did not qualify under one of the following three categories:

1. Specific identification by the big businessman as being hostile to his aims and methods.
2. Accepted standing as a spokesman for an organization or ideological group known to be inimical to big business.
3. Special recognition as a critic by virtue of published works expressly directed against the big businessman or the system within which he operated.

A few critics like Woodrow Wilson and Henry George would of course qualify under all three categories. Ida Tarbell and Upton Sinclair, for example, were denounced personally by John D. Rockefeller and J. Ogden Armour, while vigorous denunciation by the big business community at large would seem to make it almost mandatory to include such controversial figures as Eugene Debs, William Jennings Bryan, Robert LaFollette, and Theodore Roosevelt.

TABLE II

Fifty Representative Critics of the Big Businessman
1865–1914

Origins:

By region: 7 New England, 17 Middle-Atlantic, 21 Midwest, 1 West, 2 South, 2 Foreign.

By locale: 6 farm, 32 town and small city (under 75,000), 17 big city.

By status: 8 lower class (laborers), 37 middle class (including professions), 5 upper class (outstanding by virtue of wealth or long-established family position).

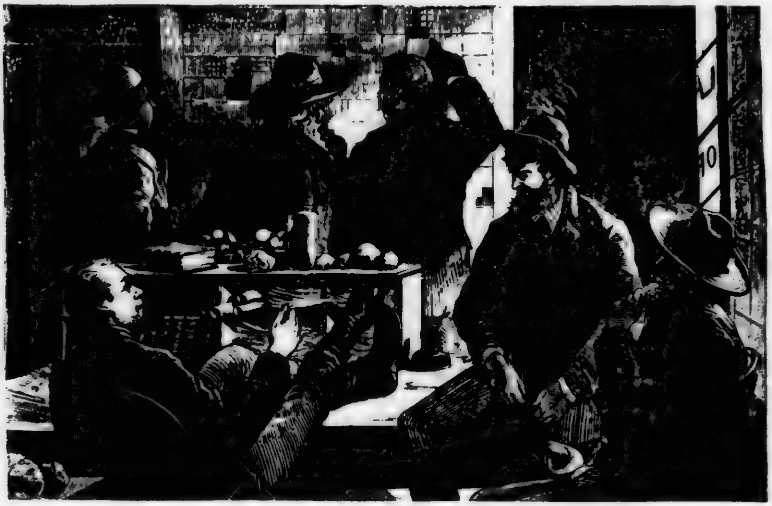
Education:

6 self-educated, 6 high school, 35 college, 19 graduate study or advanced degree.

Occupation:

45 writers, 11 lawyers, 6 college professors, 6 politicians, 4 clergymen, 2 businessmen.

Material drawn from a variety of sources, including autobiographies and biographies, but mainly from these compiled works: Allen Johnson and Dumas Malone, eds., *Dictionary of American Biography* (22 vols.; New York, 1928–1944); *Who Was Who in America* (2 vols.; Chicago, 1942–1950); Carlos Martyn, ed., *American Reformers* (New York, 1890–1896).



John Greig
Land Agent and Speculator

The process whereby enormous tracts of agricultural hinterland passed from original tract owners to individual settlers was facilitated by skilled mediators. These owner-agents incurred great risks, operated boldly on none-too-firm credit, and, sometimes, profited handsomely. Their task was to open new frontiers and sell America to Americans.

by Neil A. McNall

ASSOCIATE PROFESSOR OF AMERICAN HISTORY
AT THE PENNSYLVANIA STATE UNIVERSITY

The role of the land speculator in shaping the farm pattern of the United States has long concerned agricultural historians and economists. Often these speculators, themselves absentee, were constrained to use agents for the sale of their holdings. The agents themselves often became speculators in their own right, and frequently figured prominently in the development of the region where they settled. Such a man is the subject of this paper.

In April, 1800, a spare young Scot dismounted at Sanborn's tavern in Canandaigua,

New York, and took up temporary lodging therein. John Greig had arrived in the quasi-frontier community which was to be his home for upwards of half a century, and where he was to emerge as a citizen of substantial wealth and reputation. The lad, born in Moffatt, Dumfriesshire, in 1779, was the son of a lawyer who was chief clerk and agent of the Earl of Hopeton, a barrister able to provide his son with a solid education. Those of his family in the homeland were upper-class folk, sometimes able to accumulate considerable property and on one occasion to cross, by the bridge of marriage, into the Scottish peerage.[1]

That Greig settled in Canandaigua was hardly the result of accident. Scots had already located in the region, among them John Johnstone, a lieutenant of Charles Williamson, the Pulteney agent within the Genesee. Johnstone, returning from a journey to Scotland, brought young Greig with him. The new arrival quickly realized the value of legal training and was admitted to the bar in 1804. Training in law facilitated the conduct of land operations and other business activities of his career.[2]

The cornerstone of Greig's land operations was his management of the American holdings of the Hornby family of England. Thus a brief recounting of their acquisition is essential. Robert Morris, prince of land speculators, sold to a trio of English investors, Sir William Pulteney, William Hornby, and Patrick Colquhoun, the unsold lands in the Phelps and Gorham Purchase in west-central New York.[3] After the failure of Charles Williamson's promotional efforts, the Englishmen partitioned their interest in New York lands, nine-twelfths going to Pulteney, two-twelfths to Hornby, and the remainder, in part in bonds and mortgages, and in contracts on land already in process to Colquhoun.[4] In addition, Pulteney and Hornby made other land investments which were partitioned later.[5] The disposition of the Pulteney lands, in the agency of Robert Troup, New York Federalist, and after his death in 1832, in the

[1] The earliest biographical sketch of Greig appears in Orsamus Turner, *History of the Pioneer Settlement of the Phelps and Gorham Purchase and Morris Reserve* (Rochester, 1851), pp. 280–282. Most of the extant Greig papers are in the possession of Mr. George Skivington, of Rochester, New York. They have been carefully arranged chronologically in numbered files. Reference to *Greig Manuscripts* are to this collection.

[2] Turner, *op. cit.*, p. 166.

[3] The most complete account of the derivation of title to these lands is in Helen I. Cowan, *Charles Williamson, Genesee Promoter – Friend of Anglo-American Rapprochement* (Rochester, 1941), Chap. 1. See also Paul D. Evans, "The Pulteney Purchase," New York State Historical Association, *Quarterly Journal*, Vol. III (Jan., 1922), pp. 83–104.

[4] Instructions from Sir William Pulteney to Robert Troup, August 5, 1801, *Johnstone Papers*, Ontario County Historical Society (Canandaigua).

[5] Troup in a letter to Noah Lindley in 1818 wrote: "Sir William Pulteney and Mr. William Hornby, soon after the organization of our federal government put Sixty Thousand pounds sterling into William S. Smith's hands, to purchase lands in America and stock in our public funds." *Troup Letterbook 4*, 152, Steuben County Clerks Office (Bath).

hands of Joseph Fellows, lies except incidentally outside the province of this article.

The Hornby share in the initial division amounted to some 170,000 acres, two-thirds of which was in the "Southern Tier" counties of Steuben and Allegany. Another 23,000 were in the counties of Ontario, Livingston, and Yates, and 12,000 were in the Millyard Tract, immediately to the west of the lower Genesee. The consideration money, a nominal $47,323.25, probably represented the Hornby share of Williamson's expenses as developer.[6] For this land John Johnstone, Greig's initial mentor, became the first agent, serving until his death in 1805.[7] In addition, Hornby secured in 1800 from Benjamin Walker of Utica, New York, 91,800 acres located in the Chenango Triangle, in present Broome and Chenango counties.[8] The total of Greig's charge in the Hornby agency in New York and elsewhere amounted to upwards of 300,000 acres.

The legal basis of Greig's relationship to the Hornby family remained, with but little change, a power of attorney conferred in absentia in London in May, 1806, and witnessed by James Monroe. The Canandaiguan was empowered to sell lands in fee simple or otherwise, at public or private sale, "at the best price or prices which can be gotten for the same either in cash or upon credit." The agency included lands in New York, Pennsylvania, or "any other of the United States." No mention was made of the rate of compensation of the agent.[9]

A second considerable agency, with wide and unforeseen ramifications, which Greig undertook was that for Thomas Morris, son of the arch-speculator and an early intimate of Greig in Canandaigua. When young Morris quit the up-country in 1804 he entrusted his land and business affairs to the Scot.[10] Subsequently Greig was authorized to sell lands elsewhere, particularly those in the Military Tract. By 1827 the last of the Morris holdings in up-state New York had been liquidated, though there still remained a Morris debt to Greig.[11]

In addition to the Hornby and Morris charges, Greig undertook lesser agencies. In present Livingston, Genesee, and Wyoming

[6] *Liber 2 of Deeds*, 365–384, Steuben County Clerks Office.

[7] Turner, *op. cit.*, pp. 181 and 277; Advertisement in the Canandaigua *Western Repository*, Oct. 20, 1804; Robert Troup to Sir William Pulteney, March 22, 1802, *Pulteney Letterbook*, 77, Collection of Regional History, Cornell University.

[8] *Liber D of Deeds*, 205–206, Chenango County Clerks Office (Norwich).

[9] The power was recorded at the Office of the Secretary of State in Albany in Book *MRO*, 499. Copies appear in several of the county clerks offices in regions where Hornby lands were located. See, for example, *Liber A of Miscellaneous Records*, 80–82, Chenango County Clerks Office.

[10] *Greig Manuscripts*, f. 1; *Liber 3 of Deeds*, 417–418, Steuben County Clerks Office.

[11] *Greig Manuscripts*, fs. 4, 9, and 33.

counties, in lands within the Morris Reserve, a trio of eastern New Yorkers, Nicholas Lowe, Stephen Van Rensselaer, and Dudley Walsh, acquired in 1804 from Samuel Ogden a tract of 20,000 acres and an additional 2,385 acres nearby. A partition deed later divided the interest, Greig entering as the agent for all three owners.[12] Further, though there is no power of attorney to attest to it, the Scot also served as the agent for the Colquhouns.[13]

Sale of the lands of his principals at the most advantageous terms constituted Greig's prime responsibility. Unfortunately for the Englishmen the bulk of Hornby and Colquhoun lands were in regions of hills and weak soils, and were remote from the main routes of travel. Hence their sale was retarded, Greig doubtless echoing the remark of Robert Troup, the Pulteney agent, "How fervently do I wish we could make more abundant collections." [14] Title of much of the farmland did not pass to owners until three decades after the start of settlement, and then only when the railroads opened eastern New York markets for farm produce. The lands situated in the gentler terrain to the north found readier buyers, and their sale occasioned fewer headaches. The lands of Low, Van Rensselaer, and Walsh, and of Thomas Morris moved quickly to market, though even here upwards of fifteen years generally elapsed between the first contracts and the granting of the deeds.[15]

The sales methods employed by the Canandaiguan resembled in most respects those of his confreres within the region. Lacking proper eastern contacts and highly desirable lands for sale, Greig did not employ the practice of exchanging raw agency lands for improved eastern farms. However, receipts of wheat for credit on land were made, but unlike Troup and the Holland Land Company agents he did not similarly credit livestock. In some instances Greig credited receipts of lumber rafted to Rochester from a tract near the middle Genesee.[16] Greig did not find receipts of produce to be profitable, and when population became fairly stable and sufficient improvements had been made, he relied on the pressure which brought in cash.

The remote situation from Canandaigua of most of the Hornby lands required the Scot to use subagents to care for the details of contracts and collections, though he reserved to himself the author-

[12] *Liber 1 of Deeds*, 54–56; *Liber 3 of Deeds*, 227–230; and *Liber 1 of Miscellaneous Records*, 193–194, Genesee County Clerks Office (Batavia).

[13] Inferable from references and records in *Greig Manuscripts*, *passim*.

[14] Troup to Dugald Cameron, Oct. 8, 1819, *Troup Letterbook* 7, 17, Steuben County Clerks Office.

[15] Copies of contracts in the *Greig Manuscripts*, *passim*.

[16] Accounts of Greig with Moses Dyer, *Greig Manuscripts*, fs. 39, 41, and 46.

ity to grant deeds. The most durable of the subagents in the Bath land office, men who filled a like role for the Pulteney agency, were Dugald Cameron, and after Cameron's death in 1828, William W. McCay. Both were prominent citizens of Bath, the former serving for a term in the State Assembly at Albany, and the latter as president of the Steuben County Bank.[17] Charles Cameron, brother of Dugald, was persuaded by Greig to take up the agency for the lands in the Chenango Triangle, where he served from 1821 to 1848.[18] Though the Pulteney subagents operated on a salary-plus-commission basis, it is probable that as Greig's deputies they received only commissions. In the smaller agencies Greig employed substantial resident farmers to promote settlement and to look after the routine business of his principals. Commonly the subagents were paid commissions of 2½ per cent of their collections.[19] On the several occasions when the Scot took prolonged trips to Europe he entrusted the Canandaigua headquarters, with complete authority, successively to his legal partner, Nathaniel Howell, to Alexander Duncan, a Scottish protege, and to William Jeffrey, who was later to assume full management of the Hornby concerns.[20]

Greig remained aware of the effect of internal improvements on the value of the lands in his agencies. For the Hornby interest he granted 3,000 acres to the State of New York to aid in the construction of the Erie Canal.[21] Later when railroads were being built, he deeded gratis the rights of way through unsold land, while insisting that payments for rights of way through lands under contract be entirely credited on the contracts.[22]

The Scot, perforce, had to guard the legal interest of his employers. In many cases this involved frequent checks on trespass and timber-thievery, reported by subagents and neighboring settlers.[23] In some instances Greig leased land to squatters to prevent the development of claims by adverse possession.[24] In the latter period of his agency the Canandaiguan took to the law to challenge Hornby squatters

[17] *Liber 3 of Deeds*, 423–424, and *Liber 3 of Miscellaneous Records*, 99, Steuben County Clerks Office; Guy H. McMaster, *History of the Settlement of Steuben County, New York* (Bath, 1853), pp. 116–117; Bath *Constitutionalist*, July 4, 1841.

[18] *Liber A of Miscellaneous Records*, 82–83, Chenango County Clerks Office; *Greig Manuscripts*, f. 58; James H. Smith, *History of Chenango and Madison Counties, New York* (Syracuse, 1880), p. 199 footnote.

[19] Greig to George N. Williams (no date), *Greig Manuscripts*, f. P–56.

[20] *Liber 8 of Deeds*, 597–598, Steuben County Clerks Office; *Liber A of Miscellaneous Records*, 423–424, Allegany County Clerks Office (Belmont); *Liber D of Miscellaneous Records*, 316–318, Ontario County Clerks Office.

[21] *Niles Weekly Register*, Vol. VI (March 7, 1814), p. 154; William W. McCay to Greig, Sept. 24, 1849, *Greig Manuscripts*, f. 189.

[22] William W. McCay to Greig, July 21, 1850, *Greig Manuscripts*, f. 195; see also f. 203.

[23] See, for example, letters in *Greig Manuscripts*, fs. 112, 133, 175 and O–1.

[24] ——— to Greig, April 20, 1804; *Greig Manuscripts*, f. TM–4–A.

of long standing who alleged claims based on adverse possession. In no case was the squatter's claim upheld.[25]

The most dangerous challenges were those raised by the settlers in concert against the Pulteney-Hornby interests. Since their agencies had a common root, Troup, and later Joseph Fellows, and Greig united their efforts. Where the attack was against foreign ownership of land they were joined by the agents of the Holland Land Company, until that concern disposed of its interest in the mid-1830's. One outburst of settler discontent inspired by heavy accumulations of debt swept the region in the late 1820's. Troup found it expedient to reduce the debts due from settlers at this time. That Greig permitted a similar scaling down is likely; Troup wrote to the Scot, then in his homeland, that the excitement was drawing to a close.[26] Unsuccessful efforts were made by the settlers in the 1830's to secure laws permitting the taxation of debts due foreign landowners. In the next decade a new attack, caused by economic difficulties and politics, was leveled at the validity of the Pulteney-Hornby titles. Greig and Fellows resorted to vigorous measures in opposition, and were successful in blocking an investigation. Shortly the malcontents returned to the taxation project, and despite strong efforts of the agents and their lobbyists, were successful in securing a law taxing land debts due certain aliens. The agents shortly made provisions to comply with the letter of the law.[27]

The Scot's active supervision of the Hornby affairs lasted until 1852 when, reputedly at his request, William Jeffrey, Canandaigua attorney, who had been his prime deputy for some years, was appointed in his stead.[28] By this time the great bulk of the New York lands, at least, had been sold, and those remaining were scattered and not particularly valuable. Nearly 12,000 acres in Steuben and Allegany counties, carried at an estimated value of $51,000, represented the largest acreage in the Genesee. Elsewhere 4,855 acres in Herkimer County and 23,108 acres in Monongalia County, in present West Virginia, were estimated as worth only $1.00 an acre. The debts due on contracts remained a substantial $82,000 on Steuben and Allegany county lands.[29] Jeffrey continued as agent

[25] *Greig Manuscripts, passim.*

[26] John G. VanDeusen, "Robert Troup, Agent of the Pulteney Estate," *New York History*, Vol. XXIII (April, 1942), pp. 175–176; Troup to Greig, Nov. 23, 1830, *Greig Manuscripts*, f. 58.

[27] These controversies resulted in extensive correspondence between Greig and Fellows, McCay, and a bevy of local and Albany politicians, *Greig Manuscripts, passim.*

[28] Note in a Greig obituary notice, *Miscellaneous Manuscripts*, Ontario County Historical Society. *Liber E of Miscellaneous Records*, 260–263, Ontario County Clerks Office.

[29] *Pulteney Estate Papers*, Nos. 647 and 872, Osgood Collection, Local History Division, Rochester Public Library.

until his death in 1867, and Walter Heard, Rochester attorney, was appointed by the court to serve as trustee of the lands. Heard, in April, 1875, purchased for $8,942 all the remaining Hornby interest thus ending the English venture in New York real estate.[30]

The total amount of Greig's remissions to the Englishmen is impossible to determine in the absence of complete records. A guess would be precisely that, but the writer would put the figure, conservatively, at between $800,000 and $1,100,000. Certainly it would appear that the Hornbys did not make a princely profit on their capital so optimistically invested in New York real estate.

Nor is it possible to determine the total of Greig's commissions, since no evidence of a definite statement concerning the percentage of his commissions has been unearthed. Some inferences may be made, however. Troup stated that custom had established a commission of 5 per cent on the sale of lands. Morris paid Greig 5 per cent of his collections on land sales. A further complication is that in some instances the Hornbys assigned to Greig half of a tract of land in lieu of commissions for the sale of their remaining interest in it.[31] That the Scot over the years laid the groundwork for a substantial fortune from his commissions is likely, though they by no means constituted the sole basis of the Canandaiguan's wealth.

Relations with his English principals were apparently cordial throughout the entire course of Greig's agency. On his several extensive sojourns in Europe he was entertained at the Hornby households. On occasions he borrowed heavily from them for his own purposes. There is evidence also that the English trustees of the Pulteney interest held him in esteem. In 183[illegible], when their prime agent, Joseph Fellows, was in poor health, Masterton Ure, the chief attorney for the trustees, executed a power of attorney to Greig as their American agent, to be used in event of Fellows' demise; however, the chief agent recovered and the power was never used.[32]

In his own operations Greig may be viewed as a secondary speculator, or in some cases, even as an inadvertent one. Two factors curbed whatever speculative ambitions he may have entertained at the outset; one, the fact that much of the primary division into speculative allotments had already been made, the other the lack of either personal capital or credit to embark on such enterprises. Ex-

[30] *Greig Manuscripts*, f. 239; *Liber C of Miscellaneous Records*, 348, Steuben County Clerks Office; *Liber 216 of Deeds*, 86–88, Ontario County Clerks Office.

[31] Troup to Sir William Pulteney, Feb. 12 and March 22, 1802, *Pulteney Letterbook*, 70 and 78–79, Regional History Collection, Cornell University; Instructions accompanying the power of attorney, Oct. 18, 1804, *Greig Manuscripts*, f. 1; James H. Smith, *History of Livingston County, New York* (Syracuse, 1881), p. 265.

[32] See below, p. 533; Ure to Greig, Nov. 16, 1836, *Johnstone Papers*, Ontario County Historical Society.

cept for his purchase of a house and a large village lot in Canandaigua in 1806, nearly fifteen years elapsed before he acquired any considerable real estate.

The closest which Greig came to a primary speculation was his acquisition from the Pulteney interest of more than 62,000 acres in Allegany and Genesee counties in 1817 for $141,000.[33] Where Greig secured the capital for this venture is not apparent from mortgage records; it may have been put up by the Hornbys. The land was sold by a subagent during the next three decades. The tracts acquired by the settlers averaged less than 100 acres, and the usual price was $4.00 to $5.00 an acre. In few cases did the deeds go to the first contractors. In 1845 the purchasers still owed $22,687 on their contracts, though the amount of debts was reduced in the ensuing years.[34]

Greig's relationship with Thomas Morris involved the Scot in further land operations. Morris in 1815 and 1816 sold the Scot about 12,000 acres of fertile Genesee Valley lands within the Morris Reserve, Greig paying Morris a total of $68,000 for the lands. In 1827 Greig secured all the unsold lands of the latter in the up-country.[35] In each transaction the payment to Morris moved immediately to the omnipresent creditors of the latter. The Genesee Valley lands were generally fertile and sought by settlers, and Greig made out well from their sale.

The Canandaiguan on occasion acquired remnants of other speculative ventures. In 1837 he bought the unsold lands and contracts of the Colquhoun interest, 8,500 acres under contracts on which $45,600 was due, and 4,500 acres of unsold land.[36] In the same year he secured the unsold Walsh and Van Rensselaer lands in the Ogden Tract, though the acreage in neither case was specified.[37] Other purchasers from a wide circle of owners bought scattered tracts in Monroe, Genesee, Livingston, Ontario, Wayne, and Yates counties, as well as single farms elsewhere. In some instances the lands acquired in Monroe County involved him in Rochester real estate.

In partnership with Edward O. Hornby he held a substantial tract in Rochester south of the Erie Canal and west of the Genesee River. The agent, more prominent as a horticulturist and nurseryman, was Alonzo Frost, of the Genesee Valley Nursery. Frost, through the

[33] *Liber B of Deeds*, 437–440, Allegany County Clerks Office.

[34] Conclusion based on loose contracts in *Greig Manuscripts*, *passim*; *Greig Manuscripts*, f. 151.

[35] *Liber 7 of Deeds*, 148, and *Liber 12 of Deeds*, 101, Genesee County Clerks Office; *Greig Manuscripts*, f. 33 and TM–16–A.

[36] *Greig Manuscripts*, f. 151.

[37] *Liber 42 of Deeds*, 559–560 and 571, Genesee County Clerks Office; *Greig Manuscripts*, f. 86.

years, sold building lots on a commission basis. Unhappily at the outset taxes, assessments for fencing, streets, bridges, and the like cut heavily into the receipts, equalling them in some years. By January, 1845, the agent listed 91 contracts on which $21,000 was due. Greig and Frost made an effort to have Hamilton University, now the University of Rochester, located in the vicinity of the lands, but to no avail. In 1856 Greig listed the value of his share of the lots as worth $9,000.[38]

The Greig-Morris relationship ultimately involved the Scot in real estate operations in Philadelphia. By 1844 the continuing Morris borrowings from Greig amounted to more than $23,000. After lengthy lawsuits, financed in large measure by loans from the Canandaiguan, litigation which reached the Supreme Court of the United States, Morris secured title to Philadelphia lands which he signed over to Greig in discharge of his obligations.[39] The laird retained the services of a prominent Philadelphia lawyer, John Kintzing Kane, to oversee the property, in the Spring Garden and Morrisville sections of the city. Greig agreed to the subsidization of housing construction, of light industry, and of a railroad bridge across the Schuylkill. In 1852 a purchaser offered Greig $45,000 for his Philadelphia interest; Greig's own estimate of its value a year later was $63,000.[40] Greig also had a minor speculation in building lots in Albany.

One interesting, albeit still-born venture in which the Scot was a party was an effort to "Americanize" the Pulteney lands. The principals in the venture were Greig, Robert Troup, Joseph Fellows, and John Jacob Astor. The latter was to put up the money, and to retain a three-fourths interest, while Greig, Troup, and Fellows were to reimburse Astor for his outlay on their behalf. Nothing came of the lengthy memorandum in which the agreement was couched, perhaps because Astor was losing interest in rural land speculation, but more probably because the Englishmen valued their property at substantially more than the £150,000 the Americans were willing to pay.[41]

In one instance, Greig and a group of associates attempted to combine land speculation, apparently in a town site, with an unfortunate venture in canal construction under private auspices. The

[38] *Greig Manuscripts*, fs. 103, 143, 151, and 175.

[39] Greig to Thomas Morris, Jan. 8, 1844, *Greig Manuscripts*, f. 143.

[40] Greig to John K. Kane, Nov. 27, 1845; Kane to Greig, Jan. 11, 1851; J. Williams Biddle to Greig, Oct. 14, 1852; Greig financial statement of Jan. 1, 1853, in *Greig Manuscripts*, fs. 159–199, 213, and 216.

[41] Memorandum of Agreement, *Greig Manuscripts*, f. 17; Kenneth W. Porter, *John Jacob Astor* (Cambridge, 1931), Vol. I, p. 102; Masterton Ure to Le Blanc, Dec. 26, 1823, *Johnstone Papers*, Ontario County Historical Society.

Sodus Land Association, involving Greig, his Scottish protege Alexander Duncan, Duncan's wealthy uncle-in-law, Cyrus Butler of Providence, Rhode Island, and Joseph Fellows, secured a tract of 1,400 acres in Sodus, Wayne County, paying a colony of Shakers nearly $100,000 for the land. The purchase lay along the route of a canal projected from the Erie Canal to Sodus Bay. After many vicissitudes the canal project failed miserably, despite the engineering and lobbying feats of General Joseph Gardener Swift, an early West Pointer considered as the first native-trained civil engineer. With the collapse of the canal enterprise the projected village vanished into limbo. The land was purchased by a Fourierite Phalanx under a bond and mortgage arrangement, but reverted to the Association, and was finally sold for $41,000, the speculators losing heavily.[42]

Not until late in John Greig's career is it possible on the basis of records to measure his wealth, and to determine its sources. A statement of January 1, 1845, shows a man with debts of $160,000, with the largest obligations a bond to Edward O. Hornby for $48,000, another to William Hornby for $24,000, and a note to Cyrus Butler for $25,000. Lesser obligations included $11,000 due his sister, Eliza Greig of Edinburgh, $10,000 to David Lenox Kennedy of New York City, and $10,000 to Henry B. Gibson, the premier banker of Canandaigua. At the time, his estimate of real and personal property, $505,000, left his net worth about $346,000. At the time, he listed his real estate as worth $180,000. Holdings in bank stock, $75,000, had appreciated in value to an estimated $90,000. Bonds and mortgages held totaled $74,000, of which $38,000 was in one indenture from Thomas Morris.

A more complete return of January 1, 1853, shows unsold land worth $144,500, bonds and mortgages due him of $25,400, bank stock, yielding from 9 to 12 per cent, amounted to $51,000, which had appreciated in varying degrees from 15 to 50 per cent, for a total appreciation of $13,250. Thirty thousand dollars was on deposit with his New York agents, James K. King and Son. Personal property, largely debts due on lands under contract or bond and mortgage amounted to $209,000, yielding an annual income of $14,600, or about 7 per cent. His total property, real and personal, amounted to $476,400, against which there were debts due Edward O. Hornby of $38,800, James and Patrick Colquhoun of $14,450, the estate of his sister, Eliza, of $14,240, the Hornby estate of $13,700, and to a Mrs. Vandenkirch(?) of $7,000.[43]

[42] *Greig Manuscripts, passim.*
[43] Financial Statements of Greig, Jan. 1, 1845, and Jan. 1, 1853, *Greig Manuscripts*, fs. 151 and 216.

In the last years the net worth of the Scot approached $500,000. Where figures of income are given for the latter years, they show an annual income ranging from $17,000 to upwards of $22,000, making the Canandaiguan in his generation one of the wealthy men of up-state New York.[44]

Time does not here permit a catalogue of the laird's public role in the years between April, 1800, and his death in April, 1858. A citation might well read: John Greig – patron of education in Canandaigua and elsewhere, long-term member of the Board of Regents of the State of New York, supporter and patron of libraries, churches and charities, champion of internal improvements, leader in agricultural organizations, hospitable host to a score of literary travelers, and to numerous other less literary, traveler to Europe, guest of Lafayette and Louis Philippe in Paris, benefactor of a numerous Scottish connection in the homeland and in the United States, and briefly a member of Congress, in short an immigrant boy who made good in "the new land o' cakes."

[44] Statement of Greig, Jan. 1, 1857, *Greig Manuscripts*, f. 229, and *passim*.

Birth of an Employers' Association

The forces that originally impelled manufacturers to unite were often of fleeting impact and were soon replaced by the cohesive influence of new issues. The NAM, conceived to wage a tariff war, discovered in organized labor a common enemy for its members and traced its prosperity from the date it became a gladiator in the labor arena.

by Richard W. Gable

ASSOCIATE PROFESSOR OF PUBLIC ADMINISTRATION AT UNIVERSITY OF SOUTHERN CALIFORNIA

Pressure groups have played a vital and indispensable role in American politics. The National Association of Manufacturers of the United States is the textbook example of an industrial pressure group. For over half a century it has served American manufacturers, conducted vast public relations campaigns seeking popular approval for its conception of American values, and endeavored to influence the determination of public policy.

Many industrialists, businessmen, editors, and educators have relied freely upon its solutions of political and economic problems and its attacks on opponents of free enterprise. On the other hand, segments of these same groups have been severely critical of the Association. Labor regards it as the symbol of antiunionism. Yet, in its early years the NAM was little interested in labor problems. The events surrounding the formation of the NAM and its subsequent transformation into an employers' association are worth describing.

Formation of the NAM

Thomas H. Martin, editor of a southern industrial journal, the *Dixie Manufacturer* of Atlanta, is credited with conceiving the idea that manufacturing interests should be organized and consolidated. Editorials he wrote urging manufacturers to combine induced Colonel Thomas P. Egan to call a meeting at Cincinnati in 1895. Egan was the chairman of the Cincinnati committee of businessmen which provided for the expense of the first meeting and formally issued the call. Egan himself contributed a large part of the money. He was elected chairman of the temporary organization, later permanent chairman, and finally president of the convention. Present and partly responsible for bringing the organization into being were William McKinley, then Governor of Ohio, and Senator Foraker, also of Ohio.[1] Over three hundred industrialists assembled at the first convention.

A unique feature of the convention, indicative of the attitude of other commercial enterprises toward the formation of a manufacturers' association, was the permission granted by the telephone company to use the telephone lines in the city free at all times and the long distance lines free between the hours of 4:00 p.m. and 10:00 p.m.[2]

Thomas Dolan, of Philadelphia, was elected the first president of the Association. But since he was able to give little attention to the work of the organization, the duties of giving it form and carrying out the aims of its founders fell to Theodore C. Search.

The specific purposes of the NAM as revealed in the first official publication of the Association, *Circular of Information*, contained

[1] *Proceedings of the 31st Annual Convention of the National Association of Manufacturers of the United States of America*, 1926, p. 61; 1904, pp. 243–244; 1920, p. 27. [Hereafter referred to as *Proceedings*.]

[2] *NAM News*, Feb. 26, 1944, p. 7. The railroads of the country "recognizing the importance" of subsequent conventions made a rate of a fare and one third for the round trip of all members and their families and allowed a 50 per cent discount to men traveling to attend the NAM conventions (*American Industries*, May 1, 1906, p. 2).

no hint or threat of an organized front against organized labor.[3] The origins of the Association were portrayed in ringing metaphors by a later president: [4]

> Fathered by necessity and summoned by conscious opportunity, [it] sprang exultantly like Minerva from the forehead of Jove into immediately useful existence. Notice was thus given to the world for the first time that the American manufacturing industry had come of age, and that it could and thereafter would speak with one voice on every occasion of common defense and on all occasions pertaining to its general welfare.

The immediate problems which confronted manufacturers in 1895 resulted from the depression of 1893–1894 and the Wilson "tariff-for-revenue-only" bill, which smothered the "fires of the Nation's boilers" by "a legislative blanket." [5] Five years later President Search emphatically affirmed the NAM's lack of interest in employer-employee relations. In fact, he specifically denied concern with questions which were later to assume a prominent role in Association affairs: [6]

> The consideration of questions involving the relations between manufacturers and their employees has never been regarded as one of the proper functions of the National Association of Manufacturers. Problems relating to wages and hours of labor can be considered best by the organizations which exist within each distinct industry, as for the most part the points involved are peculiar to each industry. There are, however, certain phases of the relations between employers and their operatives which might quite appropriately be considered and discussed by such an organization as this. Some of these questions are more social than economic in their nature and concern the conditions and surroundings of the employed rather than the wages they earn or the hours during which they labor.

During the period of prosperity that followed the organization of the Association, labor union activity increased rapidly. One authority estimated the total membership of trade unions in 1897 at 447,000. By 1904 the membership had increased to 2,072,700. This was an increase of 363.7 per cent, or an average rate of 52 per cent

[3] The purposes listed were: conservation of the home market, extension of our foreign trade, improvement of the consular service, expert commercial agents abroad, promotion of Spanish-American trade, re-establishment of reciprocity treaties, extension of our merchant marine, improvement of waterways, construction of the Nicaragua Canal, creation of manufacturers and commerce department in government, uniform freight classification, and passage of a national bankruptcy law (*Circular of Information*, No. 1, June 15, 1896, pp. 1–8).

[4] *American Industries*, Oct., 1929, p. 15.

[5] *Proceedings*, 1920, p. 29; 1926, p. 61.

[6] *Proceedings*, 1901, pp. 23–24.

per year.[7] With stronger organization, unions began pressing demands for the eight-hour day, higher pay, and the closed shop. The anthracite coal strike of 1902 suddenly focused attention on the power of unionism.[8]

The militancy of the already belligerent employers' associations began to spread to other businessmen's associations. The American Anti-Boycott Association, which the NAM frequently endorsed,[9] entered the lists against unions in 1902.

In the same year the NAM appointed a committee to oppose the passage of a national eight-hour bill for laborers and mechanics employed on government work,[10] and James Kirby, president of the Dayton Employers' Association, appeared before the Senate Committee on Education and Labor as the official representative of the NAM to denounce the bill.[11] For seven years the NAM was surrounded by employer hostility to unions before shifting its orientation. The discovery of a common enemy – organized labor – supplied a strong inducement for the continued alliance of industrial employers.

The Pattern of Employers' Associations in the United States

The Association emerged from a pattern of employers' organizations and a tradition of hostility to labor organizations that has long been characteristic of American industrial life. As early as 1836 some employers had organized to resist labor societies when they began to press for shorter hours and then for higher wages.[12]

There had been masters' associations before that time, organized for the purpose of regulating quality, fixing prices, and dealing with journeymen as the occasion arose. None of these, however, was primarily an employers' association, which has been defined as ". . . a group which is composed of or fostered and controlled by employers and seeks to promote the employers' interests in labor matters."[13] The associations that appeared in 1836 were principally

[7] Leo Wolman, *The Growth of American Trade Unions, 1880–1923* (New York: National Bureau of Economic Research, Inc., 1924), pp. 33–34.

[8] *Proceedings*, 1904, p. 15.

[9] See *Proceedings*, 1910, p. 134; 1915, p. 172; *American Industries*, June, 1911, p. 11; Dec., 1912, p. 23; June, 1915, p. 30.

[10] Clarence E. Bonnett, *Employers' Associations in the United States* (New York, 1922), p. 301.

[11] U. S. Congress, Senate, Committee on Education and Labor, *Eight Hours for Laborers on Government Work*, Hearings before the Committee on Education and Labor, U. S. Senate, 57th Cong., 1st Sess. (Washington, 1902), pp. 23–24.

[12] Edward B. Mittelman, "Trade Unionism," in John R. Commons and Associates, *History of Labour in the United States, 1896–1932* (4 vols.; New York, 1918–1935), Vol. I, Part III, p. 401.

[13] Clarence E. Bonnett, "Employers' Associations," *Encyclopedia of the Social Sciences*, ed. R. A. Seligman and Alvin Johnson, Vol. V (1931), p. 509.

employers associations, organized for the expressed purpose of combatting labor.[14]

The aggressive trade union movement during the Civil War period gave rise to a no less aggressive movement for organization among employers. The typical employers' association of the period was local, embracing the employers of one or more trades in the locality. In one trade, however, a nation-wide employers' association was formed – the National Association of Stove Manufacturers. The records showed the existence of such organizations in every important locality and in nearly every trade.[15] During the critical depression period of 1873–1879 employers sought to free themselves from the restrictions that the trade unions had imposed during the years preceding the crisis.[16] In the next ten years national employers' associations multiplied with unprecedented speed.

Not all employers' associations, however, were hostile to unionism and the principle of collective bargaining. Some were negotiatory, being organized primarily to deal collectively with unions. The negotiation, in 1891, of a national trade agreement between the Stove Founders' National Defense Association and the International Molders' Union marked the beginning of development of national negotiatory associations. The system of trade agreements reached its peak in the five-year period 1898–1902, the era of the Spanish-American and the South African Wars. The commerce from these wars made prosperous times for the manufacturers, skilled laborers were in great demand, and the trade agreement promised a supply of labor at a price upon which the manufacturer felt he could depend as a basis for calculating his future costs.

The period of the highest development of negotiatory associations practically coincided with the greatest activity in the formation of trusts and similar business combinations to control prices. Businessmen utilized labor unions in forming such combinations. Negotiatory associations made trade agreements with certain unions and then utilized such agreements to attack the independents and force them to come into the combinations.[17]

Eventually some of the associations that had tried the trade agreement broke away from it and confronted the unions as belligerent or combatant associations. One of the first attempts to form a general antiunion association was made in Dayton, Ohio, in 1900, under

[14] Mittelman, *op. cit.*, p. 402.
[15] David J. Saposs, "Colonial and Federal Beginnings," in Commons, *op. cit.*, Vol. II, Part I, p. 26.
[16] Selig Perlman, "Upheaval and Reorganization," Commons, *op. cit.*, Vol. II, Part VI, p. 195.
[17] Bonnett, *Employers' Associations in the U.S.*, pp. 22–23.

the leadership of John Kirby, Jr., later to become president of the NAM.

The National Metal Trades Association, which began its career as a negotiatory association, became distinctly belligerent in 1901. It was the first national body to adopt open shop principles.

In 1902 the Chicago Employers' Association, led by Frederick W. Job, was organized. Citizens' alliances and employers' associations followed in rapid order in a number of localities. Tangible support to employers fighting against unions was given. In Sedalia, Missouri, for example, on August 19, 1901, the Sedalia Citizens' Alliance was organized, claiming as members a large majority of the business and professional men as well as nonunion workers.

J. West Goodwin, the successful organizer of Sedalia, moved on with wider ambitions. By 1902 his efforts resulted in militant antilabor Citizens' Alliances in Kansas City and Joplin, Missouri; Springfield and Bloomington, Illinois; Pittsburg, Kansas; Scranton, Pennsylvania; and Shelbyville and Columbus, Indiana. The alliances were secret organizations and exacted a pledge from all members: "I hereby make application for membership in the Citizens' Alliance and I affirm that I am not a member of any labor organization which resorts to boycotting, or any form of coercion or unlawful force, and fully agree to discountenance all strikes and schemes of persecution." [18]

The belligerent American Anti-Boycott Association, later called the League for Industrial Rights, and the Citizens' Industrial Association of America were conceived in the years 1902 and 1903 respectively. The United Typothetae became prevailingly belligerent in 1903.[19] During that year the Dayton Employers' Association received hundreds of letters from employers in every part of the United States seeking information on methods of combatting organized labor.

But these successes were local and the national employers' associations were confined to specific trades. The open shop movement and militant antiunionism lacked national leadership. The leadership, conviction, and drive necessary to inspire such a movement was delivered by David M. Parry, the president of the NAM, in 1903. "When . . . little David threw down the gauntlet to the giant Union Trust, he sowed the seed of the resurrection of industrial freedom." [20]

[18] Quoted in *American Industries*, Aug. 1, 1903, p. 14.
[19] Bonnett, *Employers' Associations in the U.S.*, p. 24.
[20] *Proceedings*, 1903, in Commons, p. 315.

Transformation into an Employers' Association

The pressures for a restatement of NAM's objectives came from outside as well as from inside the organization. The A.F.L. mushroomed from less than 350,000 to 1,675,000 members in the five-year period preceding 1904. The rising tide of unionism culminated in the anthracite coal strike of 1902 and was paralleled by an upsurge of belligerent employers' associations. Some of the members of these groups were manufacturers with membership in the NAM. Key organizers of some of the principal employers' associations were among the NAM's leadership. For example, John Kirby, Jr., was one of Parry's strongest supporters. In 1900 Kirby had organized the Employers' Association of Dayton and had succeeded in converting Dayton to an open shop city. He went on to become president of the NAM in 1909. Another future president and supporter of Parry was James W. Van Cleave, who became the leader of antiunion employers as the head of the Citizens' Alliance of St. Louis. C. W. Post led the Citizens' Alliance of Battle Creek against unionism and published pages of denunciatory articles, paid by himself, in the daily press of the country. Post was for many years a director of the NAM.[21]

The pressure from these men, the political and economic atmosphere, and the competition from other associations which served their members by combatting labor was focused upon the NAM in 1903. The desire to have a national organization in the antiunion campaign which previously had been confined to specific trades or localities also motivated the transformation.

The swelling surge of belligerent antiunionism swamped the NAM in 1903. "David M. Parry came into the arena and waged battle against this beast with seven heads and ten horns that was stalking up and down the earth, demanding that no man should work, buy or sell, save that he had the name or mark of the beast upon his right hand or in his forehead."[22] The metaphors were mixed, but the choice was clear.

Parry exhorted the convention assembled in New Orleans to recognize the iniquities of associations of workingmen:[23]

> Organized labor knows but one law, and that is the law of physical force — the law of the Huns and Vandals, the law of the savage. All its purposes are accomplished either by actual force or by the threat of force. It does not place its reliance in reason and justice, but in strikes, boycotts and coercion. It is, in all essential features, a mob-power knowing no

[21] Perlman and Taft, in Commons, *op. cit.*, pp. 129–134.
[22] *American Industries*, July, 1911, p. 37.
[23] *Proceedings*, 1903, pp. 17–18.

master except its own will, and is continually condemning or defying the constituted authorities. The stronger it grows the greater a menace it becomes to the continuance of free government, in which all the people have a voice. It is, in fact, a despotism springing into being in the midst of a liberty-loving people. . . .

It has not, in times past, hesitated to resort to violence and the destruction of property to compel the acceptance of its demands. Its history is stained with blood and ruin.

Labor's "growing power," he exclaimed, "now demands a counter-organization strong enough to resist its encroachments." [24]

It is well that those who would revolutionize the social order should at the very inception of their national program meet with organized resistance, and it was fortunate that there was an association strong enough to checkmate the influence of organized labor this last winter . . . when, . . . it seemed certain of success. . . .

It is true that the fight against organized labor is, in a measure, a departure from our former conservative policy respecting labor, but it is an inevitable departure if the Association hopes to continue to fill the full measure of its possible usefulness to the manufacturers and the people of the country.[25]

The next day the *Wall Street Journal* censured Parry in an editorial entitled: "Nothing to Be Gained by Violence." John Kirby, Jr., jumped to Parry's defense: [26]

When such a paper as the Wall Street Journal will publish such an infamous censure as it did, it simply indicated that the men in Wall Street stand there trembling and shaking with fear that this stock or that stock would be affected by Mr. Parry's courage. . . . I want to tell you, gentlemen of the convention, that ten per cent of the working classes of this country are robbing the ninety per cent. and the manufacturers and employers included, and if the manufacturers and employers will put their shoulders to the wheel and stand together, Mr. Parry will lead them through.

The action that set the course for the NAM's new role in the industrial world was the adoption of a set of labor principles. When the resolution was introduced, D. A. Tompkins contended: "This is a question that is so large, and of so much importance to this Association, and to the people of the whole country, that I think the members of this Association ought not to vote on it until tomorrow morning, in order that we may understand exactly what we are doing." Pointing out that "the forces of labor and capital are both gigantic, and they should be kept evenly balanced at all times," he maintained that "it is important that we take time to deliberate, and we should not present resolutions to 400 or 500 people that have

[24] *Proceedings*, 1903, p. 16.
[25] *Proceedings*, 1903, pp. 15–16.
[26] *Proceedings*, 1903, p. 133.

not seen them before and in fifteen minutes undertake to express an opinion that may or may not be right." [27] Though other voices raised the same plea, the gathering promptly adopted the Declaration of Principles, a document of strikingly moderate character when compared with the utterances of officers and members at this convention: [28]

1. Fair dealing is the fundamental and basic principle on which relations between employes and employers should rest.

2. The National Association of Manufacturers is not opposed to organizations of labor as such, but it is unalterably opposed to boycotts, black-lists and other illegal acts of interference with the personal liberty of employer and employe.

3. No person should be refused employment or in any way discriminated against on account of membership or nonmembership in any labor organization, and there should be no discriminating against or interference with any employe who is not a member of a labor organization by members of such organizations.

4. With due regard to contracts, it is the right of the employe to leave his employment whenever he sees fit, and it is the right of the employer to discharge any employe when he sees fit.

5. Employers must be free to employ their work people at wages mutually satisfactory, without interference or dictation on the part of individuals or organizations not directly parties to such contracts.

6. Employers must be unmolested and unhampered in the management of their business, in determining the amount and quality of their product, and in the use of any methods or systems of pay which are just and equitable.

7. In the interest of employes and employers of the country, no limitation should be placed upon the opportunities of any person to learn any trade to which he or she may be adapted.

8. The National Association of Manufacturers disapproves absolutely of strikes and lock-outs, and favors an equitable adjustment of all differences between employers and employes by any amicable method that will preserve the rights of both parties.

9. Employes have the right to contract for their services in a collective capacity, but any contract that contains a stipulation that employment should be denied to men not parties to the contract is an invasion of the constitutional rights of the American workman, is against public policy and is in violation of the conspiracy laws. This Association declares its unalterable antagonism to the closed shop and insists that the doors of no industry be closed against American workmen because of their membership or nonmembership in any labor organization.

10. The National Association of Manufacturers pledges itself to oppose any and all legislation not in accord with the foregoing declaration.

[27] *Proceedings*, 1903, pp. 166–167.
[28] *Proceedings*, 1903, pp. 165–166. No. 9 was inserted by the 1904 convention, *Proceedings*, 1904, p. 173.

Reflecting upon the enactment of these principles President Edgerton asserted in 1926: "Our first labor principles were adopted, and the open shop was first proclaimed by a representative national body as the *sine qua non* of our industrial safety, advancement, and supremacy. That proclamation brought on inevitable conflicts with those of opposite faith and practice." [29]

The conflict with the opposite faith is most apparent by contrasting the figures for the number of strikes between 1901 and 1905 with the figures indicating the cause of those strikes. The number of strikes in 1901, 1902, and 1903 were on the increase but declined decidedly after 1903 – suggesting a degree of achievement on the part of employers' associations in quelling the "Huns and Vandals" (Table 1). However, the percentage of strikes due to the resistance

TABLE 1

NUMBER OF STRIKES, 1901–1905

Year	Number of Strikes
1901	3,010
1902	3,240
1903	3,648
1904	2,419
1905	2,186

SOURCE: Division of Economic Research, National Labor Relations Board, *Governmental Protection of Labor's Right to Organize*, Bulletin No. 1 (Washington: Government Printing Office, 1936), p. 5.

of employers to labor organizations increased (Table 2). In other words, the number of strikes decreased but, of those strikes, an increasing number appeared attributable to employers' hostility to unions, i.e., their refusal to recognize the right to organize for collective bargaining.

The internal effects of the NAM transformation were equally significant. Those common interests which originally impelled industrialists to organize were not sufficient to sustain a national organization. Some problems of manufacturers, of course, tend to be universal; e.g., the tariff or problems resulting from a depression. But a tariff or a depression does not have the same effect upon all industries. Whereas some industries benefit by high tariffs, others suffer. Depressions do not always cripple all industries. The life of the NAM was running out in 1903 when "formal cognizance was taken of the

[29] *Proceedings*, 1926, p. 62.

TABLE 2

PERCENTAGE OF STRIKES DUE TO RESISTANCE OF EMPLOYERS TO LABOR ORGANIZATIONS

Year	Concerning Recognition and Union Rules (*Per Cent*)	Recognition and Union Rules Combined with Other Causes (*Per Cent*)	Both (*Per Cent*)
1895	12.35	4.12	16.47
1900	15.35	5.79	21.14
1903	23.24	8.41	31.65
1904	32.42	6.50	38.92
1905	30.86	4.67	35.53

SOURCE: Division of Economic Research, National Labor Relations Board, *Governmental Protection of Labor's Right to Organize*, Bulletin No. 1 (Washington: Government Printing Office, 1936), p. 105.

increasing activity of organized labor."[30] When the common enemy was discovered, the NAM experienced new life.

In 1900 the NAM's enrollment had declined seventeen members to total 1,050. In 1901 there was an increase of only thirty-two. By June of 1902, membership had fallen off to 988. But during the next fiscal year 1,072 industrialists joined while only 112 withdrew. After the adoption of the Declaration of Principles in April, 1903, membership increased from about 1,900 to 2,700 in seven months – the largest increase in the history of the Association to that time. When Parry stepped down from office in 1907, the total membership was 2,742.[31]

Financially, also, the NAM revived. During the first full year, January, 1896, to January, 1897, its total income was only $30,748.34, all but $255.00 of which came from dues. During the succeeding year, dues and contributions amounted to $35,749.10. The total receipts from all sources from April, 1902, to March, 1903, were $88,127.46. For the same period to March, 1904, they were $140,069.81. By 1907, they were $167,031.53.[32]

The record indicates that it was not until the NAM became the standard bearer for vigorous antiunionism that it assumed a commanding position among economic interest groups in terms of number of members, amount of income, and scope of activities. A prominent member of the Association explained in 1906: "Take away from this Association that interest in the labor question and your Association will go down just as fast as it came up."

[30] *Proceedings*, 1906, p. 135.
[31] *Proceedings*, 1900–1907, *passim*.
[32] *Proceedings*, 1896–1907, *passim*.

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FIRST PRIZE

Alfred D. Chandler, Jr.

ASSOCIATE PROFESSOR OF HISTORY
AT MASSACHUSETTS INSTITUTE OF TECHNOLOGY

The Beginnings of "Big Business" in American Industry

¶ The growth of big business in America in the last two decades of the nineteenth century was primarily a response to the rise of urban markets – a result, in turn, of the spreading railroad network. Then, as a new century began to unfold, the dominant influence upon big business development came to be technological. Discernible patterns of integration, combination, diversification, and administration influenced and were influenced by the rise of huge companies and oligopolistic industries. Price competition yielded to other weapons, and the economy adjusted to make room for the young giants in its midst.

SPRING 1959

SECOND PRIZE

Charles M. Gates

PROFESSOR OF HISTORY
AT UNIVERSITY OF WASHINGTON

Boom Stages In American Expansion

¶ In the years from 1880 to 1910 the Pacific Northwest went through a development that appears to have been broadly typical. This boom stage, a nonrecurrent frontier phenomenon, is actually the process of integrating the developing area with the national economy. The patterns set in the pliant boom era by forceful "ground floor operators" are likely to harden into long-term permanence.

SPRING 1959

Like the financial mart from which it derives its name, OVER THE COUNTER is designed for the types of exchanges not handled elsewhere. This feature has its origin in a demand among readers of business history for a place to compare ideas, voice comments on published articles and reviews, and publish research essays. Contributions are invited. The Editor and Advisory Board reserve the right to decide whether, on the basis of general interest, pertinence, and merit, such contributions will be published. OVER THE COUNTER will appear as often as the volume of contributions may dictate.

AMERICAN CAPITALISM: A TRANSFORMATION?

A detailed examination of the thesis that American capitalism has been transformed tends to confirm the conclusion but to challenge the explanation that this transformation is a result of a moral conversion of the businessman.

ROBERT V. EAGLY
Teaching Assistant in Economics
at Rutgers University

A Statement of the Basic Proposition

It is of especial interest to notice in recent years a growing literature concerning the nature of capitalism in general and American capitalism in particular. If one were to read such books as *U.S.A.: The Permanent Revolution* by the editors of *Fortune Magazine*, *The Big Change* by Frederic Lewis Allen, or *American Capitalism* by John K. Galbraith, he would be impressed by two things: First, he would be impressed by the interest which the authors show in examining the whole of the American economy as an institutional structure. Secondly, and more important, he would be impressed by the conviction with which the authors offer the argument that the type of capitalism existing in America today is substantially different from that existing in America in the year 1900.

A leading proponent of the argument that American capitalism has been transformed in the last fifty years is *Fortune Magazine*. In this respect *Fortune* is playing a unique role, for it is probably the first business-oriented organization to concern itself with the question of capitalism as a total system. When the editors of *Fortune Magazine* write that the nature of American capitalism has been "transformed," and "at bottom of the change is simple morality," the tools available to the social scientist to make an analysis of such claims are inescapably crude.[1] Nevertheless, it is apparent that some attempt should be made to evaluate this claim. It is such an attempt which is the purpose of the following pages.[2]

The Salient Elements of Capitalism

If one were to examine the various definitions and interpretations of capitalism offered by the foremost thinkers on the subject (Karl Marx, Max Weber, Werner Sombart, Joseph Schumpeter), it would be possible to single out two salient elements of capitalism upon which all four writers listed above, as well as *Fortune Magazine*, agree. It will be well to consider these two elements of capitalism and use them as analytical aids (if such an impressive term may be used) in evaluating *Fortune Magazine's* claim that American capitalism has been "transformed" in the last fifty years.

The first important characteristic of capitalism is the business leader. Each of the authorities on the subject of capitalism agrees on this point. The business leader may be either the prisoner of the economic system (as Marx saw him) or the prime mover of the economic machine (as Weber, Sombart and Schumpeter saw him). But in each case he is the central figure of the capitalist system.

Marx saw the business leader as constantly regulated by the laws of the capitalist system. The business leader's constant striving for profits was a battle for survival. Yet, in this process the owner-operator would appear to be motivated by pure and simple greed. It is on this point that *Fortune* tends to misinterpret Marx by placing almost exclusive emphasis upon the motivation of greed in Marx's analysis of capitalism. Especially interesting to note is the fact that Marx gives us a clear statement of the changing character of the business leader.[3] Well in advance of Berle and

[1] *Fortune Magazine* (Editors of), *The U.S.A.: The Permanent Revolution* (New York, 1951).

[2] Research for this study was done at the University of Washington. The author is especially grateful to Professor Dean A. Worcester, Jr., of the University of Washington for his helpful criticisms of earlier drafts of this article.

[3] Karl Marx, *Capital* (Frederic Engels, Ed.; New York, n.d.), p. 205.

"The work of directing, superintending, and adjusting, becomes one of the functions of capital, from the moment that the labor under the control of capital becomes cooperative. . . . The cooperation of wage laborers is entirely brought about by the capital that employs them. Their union into one single productive body and the establishment of a connection between their individual functions, are matters foreign and external to them, are not their own act but that act of the capital that brings them together. . . . If, then, the control of the capitalist is in substance two fold by reason of the two fold nature of the process of production itself, – which on the one hand is a social process for producing use-values, on the other a process for creating surplus-values – in form that control is despotic. As cooperation extends its scale, this despotism takes forms peculiar to itself. Just as at first the capitalist is relieved from actual labor so soon as his capital has reached that minimum amount with which capitalist production, as such begins, so now he hands over the work of direct and constant supervision of the individual workmen, and groups of workmen, under the command of a capitalist, requires like a real army, officers (man-

Means, Marx predicted the division of ownership and management as a sort of division of labor. But what Marx did not foresee was a situation such as that described by Berle and Means and discussed by *Fortune*. Marx did not foresee the wide dispersion of ownership among stockholders which would presumably remove the business leader from beneath the thumb of the capitalist owner and allow him greater freedom in the management of his business. It is this area — a lacuna in Marx's writings — that *Fortune* explores. Yet an examination of the "managerial revolution" is only part of *Fortune's* major concern, which is, of course, the "transformed" motivational ethos of the American business leader.

In its discussion of the American business leader, 1900–1950, *Fortune* joins the ranks with Weber, Sombart, and Schumpeter in insisting upon the great importance of the motivational ethos of the business leader. Weber viewed the business leader as imbued with the Protestant ethic, attempting to reform the world according to God's plan; Schumpeter viewed the business leader as imbued with Sombart's spirit of capitalism, ever venturing out into new and uncharted economic seas. In short, all three men place a considerable degree of importance upon the motivational ethos of the business leader for the functioning of the capitalist economy. *Fortune Magazine* is not alone, therefore, when it focuses its attention upon the business leader in general and his business motives in particular.

Any study of the changing nature of American capitalism will, therefore, necessitate an examination of the business leader as one of the important salient elements of capitalism. If any change has taken place in the American capitalist system, it should become apparent upon examination of the business leadership of the American economy.

The second salient element of capitalism is the institution of private property. Marx considered the institution of private property to be fundamental to the capitalist system. According to Marx, the institution of private property gave the owner full control over the use of his property instrument as well as the income derived from it. Under capitalism, such an institution would make it possible for the owner-class, the capitalists, to control the use of and income from the means of production. As ownership becomes increasingly concentrated in the hands of fewer and fewer capitalists, the oppression of the working class would become increasingly more severe. It appears that Marx argued that the institution of private property would not be altered in any way until the "revolution" when capitalist private property would be completely replaced by socialist property.

On examination of the history of the last fifty years, this claim for the changeless character of the institution of private property must be discredited. The institution has changed. One can point to the fact that income taxes no longer give the capitalist full control over the income derived from his property. In addition, government regulation — the Interstate Commerce Commission is a fine example — has deprived the capitalist of the complete control over the use of his property.

Schumpeter, in contrast to Marx, was keenly aware of the constantly

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agers), and sergeants (foremen, overlookers), who, while the work is being done, command in the name of the capitalist. The work of supervision becomes their established and exclusive function."

changing nature of the institution of private property. He saw the rationality of the capitalist machine slowly eating away at the old institution. He claimed that when actual physical items were replaced by abstract shares of stock, the old spirit which accompanied the command over the means of production disappeared. The change, Schumpeter pointed out, "takes the life out of the idea of property." Schumpeter also underlined the fact that bigness in industry has prompted public opposition and the adoption of measures — the I.C.C. Act, the Sherman Act, and the Clayton Act — which alter the meaning of private property.

Fortune focuses much of its attention on the separation of ownership and management, but it does not consider this as a change in the institution of private property. In fact, *Fortune Magazine* does not consider this possibility at all. It prefers to discuss changing business behavior in terms of altered business mores. Perhaps it is the altered character of the institution of private property which should be given prime consideration instead of the altered business mores, since the altered mores (if they are altered) may reflect the changing institutional environment. Or, it may be that the changed environment and the findings of industrial psychology have combined to alter behavior dramatically, although the same value system continues to exist among entrepreneurs. It will be worthwhile to keep this point in mind in the following pages of this essay.

A study of business leadership can be used as a point of departure for an examination of the relations between the firm and its environment in the capitalist economy. Collectively, these relationships may be referred to as business policy. In other words, we may direct our attention to the business policies followed by American industry, 1900–1950. We should examine the relations between the firm on the one hand and the consumer, labor, the government, and the general public on the other. If changes in these relations have taken place they must be evaluated and the decision reached whether they can be interpreted as indicative of a substantial change in the institutional system of the American economy, and/or a change in the motivational ethos of business leadership.

A Case Study of the Change in American Capitalism: Standard Oil Company (New Jersey)

As has been stated in the preceding pages, much has appeared in print about a change that has taken place in the structure of the American economy. Many authors have commented on this change and at least one has demanded a new name for capitalism.[4] *Fortune Magazine*, however, has been the leading protagonist of this point of view, and one of its editors, Gilbert Burck, has argued that this transformation in American capitalism is seen in the changes which have taken place in the large corporation. Burck writes in *Fortune*: [5]

> One of the most obvious yet least recognized facts of our time is that the large corporation is becoming one of free society's major instruments of

[4] "Wanted: A New Name for Capitalism," *This Week*, March 4, 1951.

[5] G. Burck, "The Jersey Company: Story of the Standard Oil Co. (N.J.) as a Case Illustrating the Transformation of American Capitalism," *Fortune* (Oct., 1951), p. 98.

economic justice. . . . It is becoming that because it is an institution reacting to the opinions and pressures of the people with whom it must come to terms if it is to survive and flourish. This portentous development, which *Fortune* has described, is less a transformation than an evolution.

Turning from the general to the particular, Burck states that: "It would be hard to choose a large company that illustrates the evolution of U.S. capitalism better than the Standard Oil Company (N.J.)."[6] This statement by Burck will be the point of departure for the following study of the Standard Oil Company (N.J.). My effort is to see what changes have taken place in Jersey Standard's business outlook during the last seventy years. To do this, study will be made of the Jersey Company's formulation of long-run goals and its relations with or policy toward consumers, labor, the government, and the public at large.

The Standard Executive and the Profit Motive

Despite the great difficulties involved in matters of evaluating personal motivation even when abundant information is available, it would be useful for purposes of this study to attempt to discern any change in the character of the Standard Oil (N.J.) executive through the years. It would also be useful to indicate the degree to which the executives considered were interested in profits.

John D. Rockefeller, Sr., was puritanical, quiet, sober, honest, reserved, and a strict upholder of those principles which he believed right.[7] In general relations with others he was more impressive than likeable. Very decidedly his personality was directed inward; a good example of the "inner-directed" type. Rockefeller's desire for money came from his desire to succeed, and for him success was quantified and prefaced with a dollar sign. That he succeeded at making money was to him just an indication that God had endowed him with His favor. He philosophized about this in the following way:[8]

> Perhaps I might have succeeded as a preacher, if I had been good enough. I have the most radical, old-fashioned ideas about the duty of every man to contribute to the betterment of his race. I believe the power to make money is a gift from God — just as are the instincts for art, music, literature, the doctor's talent, the nurse's — to be developed to the best of our ability for the good of mankind. Having been endowed with the gift I possess, I believe it is my duty to make money and still more money, and to use the money I make for the good of my fellow man according to the dictates of my conscience.

Mr. Rockefeller often stressed the fact that the businessman should earn money because the process helped all of society, but he did not separate economic activity for the benefit of society from the flow of profits to the entrepreneur.[9] After all, in his way of thinking the activity which met

[6] *Ibid.*, p. 99.

[7] Allan Nevins, *John D. Rockefeller: The Heroic Age of American Capitalism* (2 vols.; New York, 1940), Vol. I, p. 647.

[8] John T. Flynn, *God's Gold: The Story of Rockefeller and His Times* (New York, 1933), p. 401.

[9] John D. Rockefeller, Sr., *Random Reminiscences* (New York, 1933), pp. 75 and 141.

with success, and of which society approved and benefited, rewarded those who were responsible for that activity. The process worked "as though by an invisible hand," satisfying the interests of those on both sides of the market.

John D. Archbold, one of the pioneer leaders of the Standard Oil Company (N.J.), was more personable than Rockefeller and made a good impression upon Congressmen in the many investigations which required him to testify on behalf of the Jersey Company.[10] It is possible that he was a harder worker than the founder of the company, for Rockefeller comments in his *Reminiscences* that he ". . . can never cease to wonder at his [Archbold's] capacity for work." Allan Nevins pictures him as "impatient of restraints,"[11] and lacking "Rockefeller's broad view and feeling of responsibility to society at large."[12] Once asked before the Industrial Commission of 1900 whether Standard Oil was enabled by its great power to secure prices somewhat above those that were competitive, he replied, "Well, I hope so."[13] Although more belligerent than Rockefeller, his position was fundamentally the same. His outspoken judgment on the nature of competition and the requirements for the successful businessman was stated before the House Trust Investigation of 1888:[14]

> Our hold on this trade and our position in it is, we believe, the result of the application of better methods and of better business principles than have been brought against us, and on that basis only can we hold it or survive, and the people who come to tell you differently tell you what is false, and which we can prove false to the utmost particular. They are people who have failed through their lack of ability to succeed, and who would not succeed under any circumstances. They are soreheads and strikers.

Walter C. Teagle became president of Jersey Standard during the First World War. He was the first major executive of the company to speak out for restraints upon the profit motive. In January, 1918, he stated that:[15]

> Now, above all times, it should be remembered that selfish insistence on the part of even a few in increasing their wealth by enormous war profits

[10] Nevins, *op. cit.*, Vol. I, p. 340. Also see *Dictionary of American Biography.*

[11] Nevins, *op. cit.*, Vol. I, p. 511.

[12] *Ibid.*, Vol. II, p. 434.

[13] U.S. Congress, House, *Preliminary Report on Trusts and Industrial Combinations*, 57th Cong., 1st Sess., 1900. House Document 177, I, p. 596.

[14] U.S. Congress, House, Committee on Manufactures, *Report in Relation to the Standard Oil Trust*, 50th Cong., 1st Sess., 1888, House Report 3112, p. 332.

Archbold's view of the cause for business success appears to have been widely held at the turn of the century. Take for example the analyses of business failures which were made by the firm of Dun and Bradstreet. These were made in terms of the personal and impersonal factors involved in the failures. Invariably, the greater number of failures were explained by such categories as incompetence, inexperience, extravagance, fraud, and neglect. One self-help theorist surveyed the causes of failures reported in Dun and Bradstreet from 1902 to 1910 and concluded that: "Long years of experience have demonstrated to the seekers after the underlying causes of business failure the fact that, generally speaking, four-fifths of all failures are due to faults inherent in the person, while about one-fifth are due to causes outside and beyond his control. . . . In other words, the cool disinterested judgment of thousands of investigators shows that success or failure lie largely within the person himself rather than with outside conditions." (Irvin G. Wyllie, *The Self-Made Man in America* [New Brunswick, N.J., 1954], p. 32.)

[15] "At Thirty Nine He Becomes a Great Captain of Industry," *Current Opinion* (Jan., 1918), p. 21.

> **will do more harm to the nation and to democratic institutions than can ever be counter-acted even if later they give their entire fortunes for the benefits of the country, because such conduct engenders class prejudice. . . . It is a time when we must prove by our unselfish methods and our willingness to do public service that we should be permitted to handle the responsibilities in business that have been entrusted us.**

However, viewed from the standpoint of the historical trend, this statement should be discounted to a considerable extent. First, it was made when there was considerable labor unrest and when industrial unionism loomed as a radical, antidemocratic threat. It is of no little significance that Mr. Teagle referred to the imprudence of engendering class prejudice. Nonetheless, despite these reservations to Teagle's statement, it is interesting to note that Teagle opposed a significant part of the social gospel doctrine, i.e., that doing "good" *after* the money is made compensates for the "harm" supposedly incurred in the profit-making process.

Most of Teagle's efforts as president centered about expanding the physical plant of the Standard Oil Company (New Jersey). Under his leadership, the Jersey Company greatly expanded its crude production and began to develop foreign oil fields.[16] During this period public relations became a matter of greater concern. When interviewed by a correspondent of *Business Week*, Teagle stated in 1936 that Standard formulated policy in terms of the big picture. "Specifically," he said, "we try to view every question as an equilateral triangle. One side of this triangle is the public interest, the other the employees and the third the stockholders."[17]

Eugene Holman,[18] chairman of the board of Jersey Standard, cannot be called a philosopher king. He does very little reading outside that pertaining to his business, has no interest in the fine arts, and prefers hunting to other leisure-time activities. He learns mostly from people, not from books, and it is reported that he gets much out of hearing what others think. He has the gift of liking and being liked by people. Stated briefly, Mr. Holman is an extrovert.

Unlike the job-devoted John D. Archbold, whom one reporter described as "working as if he liked it,"[19] Holman behaves like a hired employee. That is to say, Holman is a nine-to-five man, and very seldom takes work home with him. It would appear from the limited information available that he is a different type of business leader from either John D. Rockefeller or John D. Archbold, decidedly more personable than Rockefeller and entertaining a broader view of business than Archbold. More evidence, however, is needed to speak further on this point.

Generalizations based on these short studies of J. D. Rockefeller, Sr., John D. Archbold, Walter C. Teagle, and Eugene Holman must be necessarily limited in scope. One must consider the question as to whether differences in these individuals really represent a historic trend. Yet, when account is made for the possible "timeless" differences in individuals and

[16] "Standard Oil Co. (N.J.)," *Fortune* (April, 1940), pp. 149 and 160.

[17] "Teagle on Big Business Policy," *Business Week* (June 13, 1936), p. 17.

[18] All information on Mr. Holman is taken from "Big Business Manager: Eugene Holman," by C. Hartley Grattan in *Harpers* (June, 1951).

[19] C. M. Keys, "How the Standard Oil Co. Does Its Business," *World's Week* (Sept., 1908), p. 10702.

for the possible shift in the focus of biographers, one generalization seems valid: The chief executive at Jersey Standard has become more conscious of the human environment within which the business is conducted. There is, however, no indication that the profit motive has been weakened.

Formulation of Long-Run Goals

Explicit formulation of long-range policies is much more a characteristic of the Jersey Company of the 1950's than of the 1890's. To a large extent this is attributable to technological changes in the industry, which include better information-gathering and forecasting techniques. Production processes are more complex today than fifty years ago and involve relatively larger investments in capital goods. Because of the complexity, the time gap between the planning of production and the actual sale of the goods has increased. As a consequence, more policies are of necessity long-range policies,[30] requiring many and difficult estimates of future market demand and resource supply.[31]

Less long-run planning was carried on in the earlier period, not only because of the level of technology then existing, but because of the prevailing concept of a mechanistic market. Although John D. Rockefeller advised the young men who read his *Random Reminiscences* to "look ahead" in their business dealings, he did, nevertheless, believe that if one were in harmony with the natural law of the market, success would be insured. He writes that[32]

> The underlying, essential element of success in business affairs is to follow the established laws of high-class dealing. Keep to the broad and sure lines, and study them to be certain that they are correct ones. Watch the natural operations of trade, and keep within them. . . . It is surprising how many bright business men go into important undertakings with little or no study of the controlling conditions they risk their all upon.

In short, the businessman must concentrate more of his attention on adjusting short-run policies to long-run natural principles.[33]

Today, by contrast, Jersey Standard concentrates its attention on the long-run picture. Research to improve old products and discover new ones is carried on continually. Market analyses are made to estimate demand as much as five years in advance.[34] Plans are also made and construction programs initiated for the increased plant capacity which will be required by the conditions of future supply and demand. Little faith is placed in natural law to provide general principles for action.

Relations With Consumers

The theory which underlies producer-consumer relations has changed somewhat since the turn of the century. True, there are some sharp contrasts to which we can point. For instance: the doctrine of *caveat emptor* so blatantly adopted by some firms in the nineteenth century is no longer

[30] Herryman Maurer, *Great Enterprise* (New York, 1952), p. 129.
[31] "Standard Oil Co. (N.J.): III," *Fortune* (June, 1940), p. 62.
[32] John D. Rockefeller, *op. cit.*, pp. 132–133.
[33] *Ibid.*, pp. 74–75.
[34] Burck, *op. cit.*, p. 184.

observed. Yet for the most part, the basic tenet of the old view of consumer relations is still held today: It is assumed that the economy is a great democratic system. Consumers are the voters, goods are the candidates, and dollars the ballots. Consumers cast their ballots for those commodities which they prefer most; those goods which are not wanted win little support and are thrown out of production.

A marked tendency toward compounding the consumer-relations problem with the public-relations problem has taken place in the last five decades. This can be seen in the following statements made by different presidents of Jersey Standard:

John D. Archbold: [25]

> **Our object has always been to reduce rates and cheapen the product and increase its consumption by making the lowest price possible to the consumer.**

John D. Rockefeller, Sr.: [26]

> **The man will be most successful who confers the greatest service on the world. Commercial enterprises that are needed by the public will pay. Commercial enterprises that are not needed will fail, and ought to fail.**

Eugene Holman. [27]

> **Customer relations also offer opportunities far beyond the production of a better product at a fair price. And public relations is a field of special interest for the large enterprise because the big company touches the lives of so many people.**

The reason for this trend to combine public-relations considerations with consumer-relations should be apparent, if not obvious. Not only is the consumer a voter in the economic democracy, but he is also one in the political democracy. All in all, good will is definitely more important to Jersey Standard today than it was in the 1890's. Once again we can see that the old idea of a mechanistic market oriented to price changes has been replaced by a market subject to some influence by the firm itself. No longer is the entrepreneur responding entirely to impersonal forces of supply and demand. He is dealing with people and their attitudes. It is a shift from the "invisible hand to the glad hand." [28] More will be said on this point in the discussion on public relations.

At the same time it is possible to discern one contemporary development which can be represented as working against the consumer. Previously, the principal effect of technological progress — increases in productivity and hence lower costs per unit — was to increase dividends and lower prices. Now, because of the power position of labor, price reductions are less likely.[29] The increase in productivity goes rather to raise wages.

[25] Committee on Manufactures, *Report in Relation to the Standard Oil Trust*, p. 317.
[26] Rockefeller, *op. cit.*, pp. 143–144.
[27] "The Public Responsibilities of Big Companies," an address by Eugene Holman, President, Standard Oil Company (New Jersey), given at the Economic Club of Detroit, Nov. 8, 1948, p. 8.
[28] David Riesman and others, *The Lonely Crowd* (New York, 1956), p. 151.
[29] Sumner Slichter, *The American Economy* (New York, 1948), p. 11.

Labor Relations

Economic thinking prior to the First World War viewed labor as a commodity. The natural law of the market held true equally as much for labor as it did for bushels of wheat. This viewpoint was succinctly summarized by a contemporary: [30]

> The price of commodities is regulated by the demand and the means of supplying that demand. The wages of those employed in the labor of those commodities [the demand for which declines] therefore must be governed by the law of supply and demand. This is no matter of theory or speculation. Law rules here as in nature, a law not enacted by any legislature and depending for its execution on governmental officials, but a law arising from the nature of things and which is self-executing.

The same author went further to say that combinations of workers in labor unions violated the natural law of the market. Unions attempted to force the price of labor above the natural price; by so doing they interrupted the optimum allocation of scarce resources within the economy. The author concluded that any labor combination could not succeed. "The laws which govern [the market] are stronger than they are, and in striving to evade or violate those laws they will, as they have always done, with rare exceptions, fail." [31]

Although less sophisticated, John D. Rockefeller expressed the very same argument: [32]

> One hears a great deal about wages and why they must be maintained at a high level, by the railroads, for example. A laborer is worthy of his hire, no less, but no more, and in the long-run he must contribute an equivalent for what he is paid. If he does not do this, he is probably pauperized, and you at once throw out the balance of things. You can't hold up conditions artificially, and you can't change the underlying laws of trade. If you try, you must inevitably fail.

Because of the prevalent conviction that wages were set by the natural laws of supply and demand, Standard of Jersey had enunciated no general or uniform labor policy prior to the First World War.[33] Conditions varied from one refinery to another, depending upon local conditions, e.g., scarcity of particular types of workers, wages paid by competitors, rising costs of living, dissatisfaction among the laborers. Standard did tend to increase wages and shorten hours when under pressure. It would not, however, deal with unions as bargaining bodies. The strike at the Bayonne

[30] A. S. Wheeler, "The Labor Question," *Andover Review* (Nov., 1886), p. 476.
Sidney Fine (*Laissez Faire and the General Welfare State* [Ann Arbor, Michigan, 1956], pp. 97–107) would appear to support the case that Wheeler's statement is "typical" of businessmen's thinking about labor in the 1880's. The degree of "representativeness" of Wheeler's statement, however, must await further study of nineteenth-century business attitudes. As yet, no analysis of the full range of businessmen's thinking about labor has been made for this period.

[31] Wheeler, *op. cit.*, p. 478.

[32] Rockefeller, *op. cit.*, p. 74.

[33] Ralph and Muriel Hidy, *Pioneering in Big Business, 1882–1911* (New York, 1955), p. 590.
Also, see G. Gibb and E. Knowlton *Resurgent Years, 1911–1927* (New York, 1956), pp. 135, 139.

Refinery in 1903 is an example of this refusal to recognize unions.[34] The same policy of nonrecognition was followed in the Bayonne strikes of 1915 and 1916.

Prior to the strikes of 1915 and 1916, Jersey Standard's directors had given little thought to the problems of labor relations. However, this soon changed. A new labor policy, based on the recommendations of Mackenzie King (Canadian Minister of Labor, 1909–1911) was formulated and introduced in 1918.[35] Its central feature was an employee representation plan, somewhat similar in strength and authority to a high school student council. In short, Standard's policy was largely an expedient based on an aversion to recognizing independent unions. At the time, though, it was regarded as an "enlightened industrial policy."[36] The idea soon caught on, and company unions of one type or another were organized in other industries to thwart independent unionization.

The basic principles of the 1918 plan have been part of Jersey Standard's labor policy up to the present day and have established, among other things, good working conditions, disability payments and old-age annuities. Today, as a result of the passage of the Wagner Act, independent unions, organized on the plant level, have taken the place of the Rockefeller-King employee representation plan.[37] In 1956, over 90 per cent of the "bargainable" employees belonged to the independent unions.[38] This was not, however, a break with the past. Standard's labor policy continues to stress the existence of "an inherent community of interest among management and unions." It continues to claim that its wage policy is based on "the prevailing wage."[39] In short, the "big change" in Jersey Standard's labor policy falls at an early date.

It appears that Jersey Standard's claim to pay the "prevailing wage" is an inaccurate description of its wage policy. At the very least it is a misleading description. It is possible to think of a wage policy geared to paying the prevailing wage in two ways. First, one could consider it as a "wage-follower policy," one in which the responsibility for setting the industry wage scale is forced into the hands of competitors. This is not the case, however. Jersey Standard's 15 per cent wage increase in 1945[40] would indicate that usually the Jersey Company has led the industry in the setting of wages. Secondly, one could consider the prevailing wage to mean a wage only equal to what is paid in the rest of the industry. Here again, this is not the case. Standard has not merely met, but has exceeded the industrial wage scale. To quote a paper prepared by the Oil, Chemical and Atomic Workers International Union, C.I.O., "Stand-

[34] Hidy, *op. cit.*, p. 600.
[35] Gibb and Knowlton, *op. cit.*, p. 575.
[36] "Enlightened Industrial Policy," *Banker's Magazine* (June, 1921).
[37] "Thirty Years of Labor Peace," *Fortune* (Nov., 1946), p. 169.
[38] Stuart Chase, *A Generation of Industrial Peace* (pamphlet written for the Standard Oil Co. [N.J.], 1956), p. 27. The number of Jersey Standard workers in various unions was as follows: of a total of 36,722 eligibles, 35,884 were members in fifty-five independent unions; 353 were members of six CIO locals; 455 were members of four AFL locals; and 30 were members in one Railroad Brotherhood local.
[39] Standard's "prevailing wage" policy is referred to in the following:
(a.) "Thirty Years of Labor Peace," *Fortune* (Nov., 1946), p. 168.
(b.) *Your Job* (pamphlet published by Employee Relations Dept., Standard Oil Co., [N.J.], 1955), p. 10.
(c.) Chase, *op. cit.*, p. 17.
[40] Chase, *op. cit.*, p. 28.

ard . . . provid[es] the highest wages and fringe benefits that can be found in the oil industry." [41]

Jersey Standard's favorable labor conditions may in part be interpreted as a result of the steady expansion of the oil industry. In addition, great technological changes have been introduced which have greatly increased labor productivity. These, taken together, have produced an increasing demand for labor which may be sufficient reason for higher wages. Considered from this standpoint it does not appear that the Jersey Company's "new" (since 1918) labor policy can be fully explained in terms of "a change in heart" on the part of management. There seems to be nothing inconsistent in the company's favorable labor policy and its drive for profits. Perhaps this is the point Jersey Standard wishes to make concerning the existence of "an inherent community of interest among management and unions."

Relations With Government

There has been a significant shift in emphasis in Jersey Standard's attempts to influence government policy. At the turn of the century, "direct" relations with the government were the rule. Executives of the company personally aided in defeating political candidates who were unfriendly to Jersey Standard on more than one occasion.[42] The Archbold-Foraker letters suggest also that the Jersey Company saw a close connection between contributions to campaign funds and legal fees on the one hand, and requests for opposing bills, the nomination of judges, and the like on the other.[43]

After the dissolution in 1911, Standard walked more softly. More respect was given the government, while at the same time Standard of New Jersey began to remake itself into the approved version of the "good" corporation.[44]

[41] Oil, Chemical and Atomic Workers International Union, C.I.O., "Survey of Standard Oil Company of New Jersey, E. I. Dupont de Nemours and Company, Union Carbide and Carbon Corporation, Atlantic Refining Company, Sun Oil Company, and Dow Chemical Company," May, 1955, p. 5. The full quote reads: "Standard perpetuates these independent unions by providing the highest wages and fringe benefits that can be found in the oil industry. Its policy of extreme paternalism has been an obstacle to legitimate union organization."

[42] Hidy, *op. cit.*, p. 666.

[43] Joseph B. Foraker, *Notes on a Busy Life* (Cincinnati, 1916), Vol. II, pp. 328–354.

[44] This can be viewed as a part of the "face-lifting" process which American big business underwent in the twentieth century as a response to the antitrust acts.

In *The Folklore of Capitalism* (Yale University Press, 1937), Mr. Thurman Arnold discusses how the inherent assumptions of the antitrust laws influenced the character of Big Business:

"One great change, however, did come over corporate activity because of the philosophy which produced the antitrust laws. Since everyone thought of these great enterprises as individuals which should be moral and gentlemanly in their dealings, they came gradually to conform to those standards. This is in accordance with the principle of political dynamics which makes it inevitable that an institution will, in the long-run, conform to the character which men give it. The antitrust laws were based on a popular conception that great corporations could be made respectable. Following that ideal, great corporations *did* become respectable." (P. 221.)

Arnold was not obscure as to how he thought this transformation or "face lifting" came about. He writes (*Folklore*, p. 216):

"Within the organizations themselves, men were not theoretical but intensely practical. They did not follow economists and lawyers. They used them. Realizing the advantages of a respectable position in society, they employed public relations counsel, skilled in the use of propaganda. After the war cartoons showing corporations to be great, greedy men became fewer and fewer. Gradually they changed themselves from bad to good men in the pub-

The events of 1941–1942 prompted Jersey Standard to re-evaluate the nature of its relationship with the federal government. In 1941 the Jersey Company was called before the Truman Committee on the contention that it had, through a license agreement with the I. G. Farben-industrie, delayed production of synthetic rubber in this country.[45] The company was probably most surprised during the investigation to see the committee take Jersey Standard to task over its sales of gasoline to an Italian controlled airline in South America.[46] The people at Standard of New Jersey were perplexed at the government's case. The sales were made before the United States entry into the war and with the approval of the State Department. The company's confusion arose from the feeling that it had been doing what the government wanted.

R. Wood, writing in the *Harvard Business Review*, points out that Standard was making the mistake of regarding the government as a single unit. He argues that dealing with the government is much more involved because of the great diversity which exists in its administrative units. A much broader approach to government relations should be taken. The Jersey Company, or any large corporation for that matter, should mold its policy so as to anticipate challenges from every direction. Most important, the corporation should use its advanced information as a guide to its policy-making. Wood states his position in a straightforward manner: [47]

> A company's true character and the reputation which reflects it should be molded as far as possible to suit the company's political purposes. Hence it is a prime duty of the management to ascertain what political threats or opportunities await their organization.
>
> In this task of operating a sort of political weather bureau, editors can be of some assistance, for their training makes them unusually aware of story possibilities.

One year after the Truman Committee held its hearings and after Mr. Wood wrote his article, the Jersey Company set up a public relations committee (1943).[48] This marked a major change in Standard's philosophy. Although Jersey Standard still attempts to influence government

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lic eye. They took the role of the sinner who had repented and become a saint. Men reading Josephson's *Robber Barons, The Great American Capitalists, 1861–1901*, were able to say: 'Once unenlightened corporations used to do these bad things but now they have reformed and do not do them any more.' The era of trust busting disappeared. It was still good for an occasional battle cry, but as the industrial empires grew in power their symbols became more and more respectable. Theodore Roosevelt, with his big stick that never hit anybody, accomplished two things. First, he convinced the public that if we would only drive politics out of the Department of Justice the laws were sufficient to make these big corporate individuals really compete. Second, he convinced corporate executives that it was a good thing to hire public relations counsel and show that they also were followers of the true religion."

[45] (a.) "Investigation of the National Defense Program," Senate Hearings on S. Res. 71, Pts. 11–14, Mar.–Aug., 1942, pp. 4307–4497.

(b.) "Consent Decree in Suits Against the Standard Oil Co. (N.J.) *et al.*," 77th Cong., 2d Sess., Senate Miscellaneous Documents, 152, Pt. 2, 156–292, No. 197.

(c.) Also see: "Arnold *vs.* Standard Oil," *Newsweek* (June 8, 1942), p. 46; "Standard's Rebuttal," *Newsweek* (June 15, 1942), p. 46; "Standard's Day," *Time* (Aug. 31, 1942), p. 83.

[46] "Investigation of the National Defense Program," Senate Hearings on S. Res. 71, Pts. 11–14, Mar.–Aug., 1942, pp. 4499–4527.

[47] R. Wood, "The Corporation Goes into Politics," *Harvard Business Review*, Vol. XXI (Autumn, 1942), pp. 64–65.

[48] Burck, *op. cit.*, p. 182.

policy by direct means(i.e., lobbyists), its main attention is now focused on influencing government policy by indirect means (i.e., public relations). By appealing directly to the people, the company can insure itself against the uncertainties of picking a winner in a political race. It is for this reason that Jersey Standard of today can be called "Jeffersonian in matters of politics, and Hamiltonian when it comes to the organization of industry." [49]

Public Relations

The most striking change that has taken place in the Standard Oil Company (N.J.) during the last sixty years is in the area of public relations. In the 1890's the company gave little if any attention to what the public at large thought of Standard Oil. Business was conducted with an impersonal market and an objectified society. Economic relations were governed by natural law, and accordingly there was no need to seek public favor.

Jersey Standard officials assumed that the operation of the business was of concern to no one other than themselves. No information concerning Standard's operations was volunteered or contributed on request by Standard officials. Once when Professor M. B. Anderson of the University of Rochester asked Rockefeller for facts substantiating the contention that large-scale application of capital and labor had been responsible for the decline in the price and improvement in quality of refined oils, he was refused.[50] At another time a Standard official was very explicit in his opposition to the preparation of statistical data for use in the legislative investigation in 1888. "I think this anti-trust fever is a craze," he wrote to Rockefeller, "which we should meet in a very dignified way and parry every question with answers which while perfectly truthful are evasive of bottom facts." [51] At the House Trust Investigation of 1888, this advice was followed. Take, for example, this exchange with John D. Archbold: [52]

> **Question:** And that has resulted in an accumulation of an amount of stock in the Standard Oil Trust which, for reasons of your own, you do not wish to make public.
>
> **Answer:** (Archbold) I can hardly see what interest it would be to the public to know it.

This whole policy impressed J. C. Welch, who felt that . . .[53]

> If there was ever anything in this country that was bolted and barred, hedged around, covered over, shielded before and behind, in itself and all its approaches, with secrecy, that thing is the Standard Oil Co.

[49] "Standard Oil Co. (N.J.)," *Fortune* (June, 1940), p. 108.
[50] Hidy, *op. cit.*, p. 214.
[51] *Ibid.*
[52] Committee on Manufactures, *Report in Relation to the Standard Oil Trust*, p. 317.
[53] Hidy, *op. cit.*, p. 211.
It should perhaps be mentioned that Welch was regarded as a spokesman for the small producers – opponents of Standard Oil of New Jersey. Ironically enough, in view of Welch's statement, the Industrial Commission and Congressional Hearings were to provide the public with more complete information on the Jersey Company than it had or has on any other firm of the period.

The public relations program that Standard did conduct was very limited and mainly restricted to answering charges made against the company. There was no executive to give his special attention to public relations until 1913; prior to that time this function was carried on within the legal department. The first public relations specialist hired by Jersey Standard was J. I. C. Clarke in 1906.[64] His addition to Archbold's staff came as the public pressure, which eventually culminated in the dissolution decree of 1911, began to mount against the company. His efforts increased the number of press releases from 26 Broadway.

When W. C. Teagle became president of Jersey Standard in 1918, a new executive attitude toward reporters was noted. It is said that prior to 1918 reporters met with "courteous rejections" at 26 Broadway. Mr. Archbold and Mr. Moffett were usually "in conference."[65] When Teagle moved into his office, he not only greeted reporters warmly but even invited them to call at any time or to telephone him at his hotel. Teagle's sincere friendliness, however, Gibb and Knowlton write, did not imply the adoption of a positive public relations program.[66]

The legal department continued to carry the job of public relations until 1943. By that year the significance of public relations was fully realized. The function was taken from the legal department and a special committee was established. It was thus that the age of "the glad hand" came into its own.

Unfortunately, lack of available information prevents an extended discussion of the function of the Public Relations Department. However, a few observations concerning Jersey Standard's public relations program can be gleaned from a few speeches[67] and from a letter received by the author from the Jersey Company's Public Relations Department (June 7, 1957).

In the letter to the author, the company defines its conception of the function of public relations: "Jersey conceives public relations to be: (1) considering the public interest in adopting policies and taking actions, and (2) reporting and explaining them continuously so that the public understands and approves." The company denies that public relations is

[64] Probably the first public-relations man to gain fame for his profession and fortune for himself as a practitioner of that delicate art was Ivy Lee. Lee was known as the "minnesinger to millionaires" and as the "king of the press agents" (Silas Bent, "Ivy Lee, Minnesinger to Millionaires," *New Republic* [Nov. 20, 1929], p. 369).

Lee was hired by John D. Rockefeller, Jr., for the apparent purpose of molding public sentiment in favor of the founder of the Jersey Company who had borne the brunt of so much of the muckrakers' attack and who had become the symbol of Standard Oil. Because of the close association of the name of John D. Rockefeller, Sr., and the Standard Oil Company chartered by the State of New Jersey, it seems reasonable to impute some of the gains in the company's popularity to Ivy Lee's "public relations" work for John D. Rockefeller, Sr.

[65] Gibb and Knowlton, *op. cit.*, p. 253. This was especially true after 1911 when the company was smarting under the dissolution decree (1911).

[66] *Ibid.*, p. 258.

[67] The speeches, identified by their dates in the text, are the following:

(a.) George H. Freyermuth (Manager, Public Relations Department, Jersey Standard), "The Purpose of Public Relations in Modern Business" (a speech given at the Marketing Cost and Sales Meetings, Caracas, Lausanne, Stockholm), 1954.

(b.) Stewart Schackne (Manager, Public Relations Department, Jersey Standard), "The Part Public Relations Plays" (a talk delivered at Sales and Cost Meetings, Cannes, France), April 20, 1955.

(c.) Stewart Schackne (Manager, Public Relations Department, Jersey Standard), "Bigness and Public Relations" (a speech delivered at Esso Standard Public Relations Annual Meeting, Sedgefield, N.C.), Oct. 1–3, 1956.

the "engineering of consent" (to use Edward L. Bernays' well-known phrase). The same letter states: "The policies and actions of the company determine public opinion. The Public Relations Department can only report and explain."

In reading the speeches of Mr. George Freyermuth and Mr. Stewart Schackne (Managers of the Public Relations Department) one is impressed by the awareness that good public relations are necessary in order to ward off possible encroachment of the government into the affairs of Jersey Standard. Mr. Schackne (speech of April 20, 1955) points to the synthetic rubber and Farben patents agreement crisis of 1942 as conditions leading to the organization of Jersey Standard's Public Relations Department and states that: "The attacks upon the Company at that time . . . seemed for a while to threaten its very existence." In his speech (1954), Mr. Freyermuth refers to the importance of good public relations with the peoples of foreign countries. Looking at the growth of government owned petroleum companies in Italy, France, Spain, Portugal and England, he states that: "It is against developments like these that Jersey has to justify and earn its continued existence as a private business." He continues to say that Jersey Standard "cannot count entirely on direct business contacts to gain the understanding [it] needs." Consequently, the company must turn to public relations to clear up misconceptions about Jersey Standard and to gain public support for the company. Mr. Schackne sums up this point of view very nicely. He states in a speech delivered at Cannes, France (April 20, 1955): "[Today] there is abundant evidence that private enterprise — capitalism — produces vastly better results [than socialism or communism] not alone in terms of material goods but in technical progress and in individual freedom. Despite this evidence, there are organized efforts on every continent today endeavoring first to weaken and then to destroy or capture private companies. The way to resist these efforts is through public relations." In another speech (October, 1956), Mr. Schackne gives his opinion why there is opposition to capitalism in different parts of the world. "The reason that most of the world's people feel unfavorably toward capitalism," states Mr. Schackne, "is that they conceive it as a system run by capitalists for the benefit of capitalists. They have not yet recognized that there has evolved in the United States, and is spreading to other parts of the world, a system that may be described as "people's capitalism," a system that operates for the benefit of the many rather than the few."

Review of the Case Study

Outside of developments in the field of technology, the most striking change in the history of Jersey Standard has taken place in the development of public relations. There are several explanations for this development, none of which is sufficient in itself. In this connection, one is struck by the realization that the man who understands American business in its entirety has yet to show himself. In the light of classical theory, the large American corporation is completely new, and as yet there is no adequate theory to explain its functioning.

One position views the change in American capitalism as the development of a social consciousness in Big Business, as Gilbert Burck has done.

Taking Jersey Standard as a case in point, Burck believes that the large corporation in America is "an institution reacting to the opinion and pressures of the people with whom it must come to terms in order to survive." His position accepts both the social-contract theory of social relations and the social-mold theory, but emphasizes the latter. Burck states his position in very explicit terms: [58]

> The so-called power of business has been hedged in by the mores of the time and its own changing practices. The big company must conduct itself "morally" because doing anything else is both magnified to the outside world and demoralizing to its own staff. And the "powerful" executives of the big companies are guided by customs and even tradition as closely as if they were bound by the most meticulous code of laws.

In other words, Burck argues that business mores have changed, and this accounts for the increased emphasis placed on public relations.

In direct contrast to Burck's position is the explanation postulated by James Burnham. Burnham bases his analysis on the empirical evidence of the existence of the separation of ownership and control in the large U.S. corporation. Posing the question as to what considerations guide the corporate-manager, Burnham discards the validity of the profit motive and the possibility of altruistic aims. The guiding motivation is not the mores of the society but rather the self-interest of the manager. On the assumption that any group tries to improve its power status,[59] Burnham concludes that the corporate manager can be explained only in terms of a search for power. In the same way as the managerial class has replaced the capitalist in matters of corporate control, it has also replaced the capitalist in areas of political power and social dominance.[60]

However, Burnham's argument is predicated on the proposition that "any group tries to improve its power status," which is extremely difficult to establish. The managerial group which directs Standard Oil is certainly withdrawn from the public eye and publicity. In order to accept Burnham's argument, we must conjure up a picture of recluse corporate managers plotting in secrecy to take over the country.

Another argument could be posed in favor of the great importance of the role of profits in guiding the actions of the corporate manager. It can be argued that although the goal of business leadership is not profit-receiving, it is still profit-making.[61] The profit guide is certainly well defined; however, does it adequately explain the development of public relations activities? Perhaps it can be said that effort and money spent now on something as intangible as public "good will" will maximize profits in the long run. But the long-run concept is not at all clear. One can only assume that profits would be less were a public relations program not initiated. Thus, an argument for long-run profit maximization can only be postulated. It can never be a definitive explanation for corporate manager behavior.

Whether the development of public relations is a façade hiding the

[58] Burck, *op. cit.*, p. 174.
[59] James Burnham, *The Managerial Revolution* (New York, 1941), p. 89.
[60] *Ibid.*, p. 110.
[61] Robert A. Gordon, *Leadership in the Large Corporation* (Washington, D.C., 1945), p. 336.

corporate manager's desire for political power, or a new means for profit maximizing, or is a genuine change in the business manager's outlook cannot be said with certainty. It does seem, however, that at least part of the "sense of social responsibility" professed by business leaders is sincere. It may be a new concept of the old idea of a harmony of interests. If so, it would be consistent with the case for long-run profit maximization.

Conclusion

That capitalist institutions are capable of change is the underlying proposition of *Fortune Magazine's* argument for the transformation of American capitalism during the last fifty years. The proposition appears to be supported by this study, and, in the light of the writings of Karl Marx, Max Weber, and Joseph Schumpeter, is not particularly novel.[63] Each of these three men — and especially Marx and Schumpeter — stressed the evolving, ever-changing nature of the capitalist system. Both Marx and Schumpeter considered the process of change in the capitalist system as a movement towards a noncapitalist society: socialism. By contrast, *Fortune Magazine* sees a "new capitalism" evolving out of the old. Essential to the argument here, however, is the basic point that the capitalist system is subject to change. And in this regard *Fortune* is in full harmony with the recognized authorities on the subject of capitalism.

The case study of the Standard Oil Company (N.J.) tends to support *Fortune's* claim that American capitalism has changed from what it was at the turn of the century. The Jersey Standard executive has become a hired employee who cannot be directly associated with the profit motive as at the turn of the century. Increased attention to the consumer has taken the form of research and qualitative improvements of products. The Jersey Company is markedly more mindful of labor than it was fifty years ago. And relations with the federal government have become highly complex and involved. Most obvious, of course, is the appearance of an extremely active public relations program. This is the most spectacular change in, or addition to, American economic institutions in the last generation.

Looked at from the standpoint of the two salient elements of capitalism mentioned earlier, it is possible to discern several changes in American capitalism. First, the Standard executive is a member of the managerial class. He is the manager but not the owner. At the same time, the

[63] Gustav Stolper, *This Age of Fable* (New York, 1942), p. 63. Stolper aptly sums up the point of view that capitalism is characterized by change in the following passage:

"What makes capitalism such a ready object of fable is the fact that it is a perennially changing, undefinable social system. The capitalism of 1941 is as different in almost all essential respects from the capitalism of 1914 as this was different from the capitalism of the 1890's, and so on back to its remotest origins in the sixteenth and seventeenth centuries. But capitalism changes not only in time; it also varies from country to country. In the United States, in Great Britain, in France, in pre-Hitler Germany, in Scandinavia, it is a different system with different problems, achievements, and shortcomings. And therefore the fable of capitalism is rife in as many versions as there are countries. This is why for decades we have heard in all languages of the world the gloomy or triumphant prophecies (according to the political creeds of the prophets) of the 'imminent' end of capitalism. It dies every day, to be reborn – where and as long as its fundamental moral philosophy is the freedom and supremacy of the individual. It will not be reborn on the day that this moral principle dies."

question of his motivational ethos is not as clear-cut as in the case of John D., Sr. His direction of the company policies relating to consumers, government, labor, and the public at large is considerably different from the direction which John D., Sr., gave to company policy. Whether this is the result of a new motivational ethos, as *Fortune* claims, is a point which will be considered shortly.

Secondly, it is possible to discern changes in the institution of private property reflected in the history of the Standard Oil Company (N.J.). The dissolution of Jersey Standard in 1911 under the terms of the Sherman Antitrust Act is a case in point. As Schumpeter has pointed out, bigness prompts public opposition. Public opposition in turn attacks the institution of private property. It can be well argued that the existence of an extensive public relations program points to this change in the institution of private property. The company's concern over the need for good public relations reflects the fact that the institution of private property no longer provides the same safeguards from attack as was the case at the turn of the century. Moreover, the laborer has received a claim to his job which very much resembles a property claim against the company. Unions — even Jersey Standard's company unions — give the worker seniority, which in several respects amounts to recognition of the laborer's property rights to his job. Such a situation contrasts very sharply to the labor scene of 1900.

These various circumstances lead the writer to agree that American capitalism functions differently today from what it did at the turn of the century. It appears that American big business operates with a keen awareness of its human environment. This contrasts sharply with the behavior of big business at the turn of the century, at which time labor was considered to be a commodity and the big business leader could direct his enterprise in any direction in the search for profit. In short, American capitalism has, as *Fortune* claims, been transformed.

The *cause* for this change in American capitalism, however, does not appear to have been a "moral conversion" of American big business. There is no conclusive evidence that the change has been the result of the development of a new motivational ethos. There is no conclusive evidence that the profit motive has weakened during the last fifty years; the quest for profits has merely taken new forms. It can be argued that an "enlightened" labor policy, giving the workers high wages, special benefits, and pleasant working conditions, is more profitable for the business than a reactionary policy. Accordingly, it is not at all necessary to attribute the changed labor policy to greater "social responsibility" on the part of business. A change in the motivational ethos can only be inferred, and then only on tenuous grounds.

A much closer cause-effect relationship can be seen in the changing institutional framework within which big business operates. The development of public opposition to bigness has altered the character of the institution of private property and in the process has limited the field of action open to the business leader. There appears to be a close connection between this change in the institution of private property and the development of "social responsibility" in big business. *If* the motivational ethos has changed it is most likely a product of — not a cause of — the

change in business behavior. Basic institutional changes, not "simple morality," have caused the transformation of American capitalism.

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FRENCH BUSINESS HISTORY JOURNAL

In May, 1958, the first issue of *Histoire des Entreprises* was published in Paris under the auspices of the *École Pratique des Hautes Études, VI Section, Centre de Recherches Historiques*, and under the direction of Professor Bertrand Gille. The explanatory note appearing in this first issue reports that a series of four bulletins devoted to the history of business ventures had previously been published by the *Centre de Recherches*. The reception accorded these efforts raised hopes that historians would be interested in further endeavors in the field. Section VI of the *École Pratique* thereupon consented to integrate the business history research group with its *Centre de Recherches*, and means were provided to undertake publication activities on a more extensive scale.

The intention is not to create a duplicate publication, because those already in existence, including the *Annales*, completely achieve their objectives, and it is in the *Annales* where the general studies of the *École Pratique* will appear. The new magazine is instead devoted to very specialized studies, particularly research on the sources and methodology of business history. The *Centre de Recherches* group has noted the wide spread of the new discipline throughout the United States and in a few European countries, and the existence there of research centers and some interesting periodicals. It is the hope of Professor Gille that *Histoire des Entreprises* will form one more link in this chain and provide indispensable connections between French business historians and those of other countries.

The first issue of *Histoire des Entreprises* is 64 pages (6 x 9½ inches), containing four articles and a bibliography. The articles are as follows:

The Origins of a Great Metallurgical Society: Châtillon-Commentry, by Bertrand Gille (22 pages)
Notes on the "Ferme Générale" (17 pages)
Railroad Archives (13 pages)
Business Records on Deposit in Public Archives (3 pages)

The bibliography (3 pages) lists articles and books in the business history field published in France during 1955 and 1956. The list contains 26 articles (reported under various chronological and topical headings), 3 anniversary histories, and 4 additional volumes devoted to specific enterprises.

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SELECTIVE SURVEY OF RECORDS MANAGEMENT PRACTICE

In the Autumn, 1959, issue (OVER THE COUNTER, pages 383–386) Professors Johnson and Supple discussed the need for greater mutual awareness on the part of historians and businessmen. The survey report presented herewith carries forward one phase of this general subject area, namely, what are businessmen actually doing with their historical records. The survey was prepared

by an assistant to Dr. William D. Overman, head of The Firestone Tire & Rubber Company Library and Archives, as background for an address delivered before the 1958 annual meeting of the Society of American Archivists and subsequently published in The American Archivist *(reference in text of report). Dr. Overman graciously made the background report available as a contribution to a continuing interest on the part of many to strengthen the liaison between scholars and the business community.*

Business has been giving increased attention to the solution of records problems in recent years. Records management has helped alleviate this problem by limiting the amount of new records coming into being, by inaugurating efficient paper work systems, cutting costs, and by systematic disposal of records that have outlived their usefulness.

Records management also recognizes the value of preserving business records having permanent or historical value. According to Robert A. Shiff and Arthur Barcan, "a major task of records management is to train industry to create and maintain 'one file drawer' of business history every year." [1] This responsibility of industry has also been recognized by others. Robert W. Lovett has written, "in the case of modern bulky records the individual company must bear the responsibility and cost of its own archives." [2]

In actual practice, however, how many American business firms preserve their permanent or historical business records? What percentage of records are we speaking about when we refer to business archives? Who is responsible for their selection and preservation? Where is an archives department located in the corporation administrative hierarchy?

In an attempt to obtain information on these and other questions the following questionnaire was mailed to 34 members of the Society of American Archivists associated with business firms, and to 21 corporations known to a records management program. The questions asked were:

1. **Does your firm or corporation maintain a records disposal program?**
2. **Are selected business records having permanent or historical value preserved in an archives or library?**
3. **Has space been allocated for the proper housing of such archival records?**
4. **Approximately what percentage of all records is retained permanently? Less than 1 per cent; less than 5 per cent; 5–10 per cent; more than 10 per cent?**
5. **Does your company employ both a records manager (administrator or analyst) and an archivist? Archivist only; records manager only?**
6. **If a records manager only is employed, does he (or she) also perform the function of an archivist?**
7. **If an archivist is employed, to which company official is he (or she) responsible? Secretary, comptroller, other?**

[1] Robert A. Shiff and Arthur Barcan, "The New Science of Records Management," *Harvard Business Review* (Sept.–Oct., 1954), pp. 54–62.
[2] Robert W. Lovett, "Business Records in Libraries," *The American Archivist* (July, 1957), pp. 253–261.

Of the 55 questionnaires mailed, 48, or 87 per cent, were returned. Interest in business records policy was quite evident from the many comments, additional information, and printed literature accompanying the returned questionnaires.

The first question, "*Does your firm or corporation maintain a records disposal program?*" was answered affirmatively by 47 companies, negatively by only one. Although questionnaires were sent to 21 companies having a known records management program, the fact that 47 out of 48 replies indicated their firm had such a program shows the extent to which disposal programs have been adopted by American business.

In response to Question 2, 34 individuals or firms replied "yes," they preserved business records having permanent or historical value in an archives or library. Thirteen stated they did not, and two did not answer. One firm answering "yes" qualified its reply by stating that "some are." Another commented, "they (permanent records) are preserved in a records center."

Remarks of those answering in the negative include the comment that, "Records in this category are housed with other non-current records in a records center." Another negative answer brought forth the comment, "However, a disaster file is maintained."

Question 3 was an attempt to determine if historical records were housed properly, rather than merely stored in a basement or similar out-of-the-way location. Thirty-three responded "yes," proper housing was provided; eight admitted their records were not housed properly, and eight did not answer. Comments of those answering "yes" to this question include: "Area in Records Center has been designated 'Archives,' indexing work remains"; "We have a proper records center, but have separated archival records from other records"; "In the process of setting up." Of those not providing proper housing, one firm indicated that more suitable arrangements were being made. Another company qualified its answer by stating that its "disaster file" holdings received special housing attention.

In response to Question 4, "*Approximately what percentage of all records is retained permanently?*", one stated less than 1 per cent; 20 less than 5 per cent; 10 from 5 to 10 per cent; 9 more than 10 per cent; 7 did not answer; one said such figures were not available; another replied only a "small amount." Three of the nine answering "more than 10 per cent" added explanatory comments as follows: "We keep all accounting vouchers permanently, thus we are over the 10% mark slightly"; another replied, "High percentage results because information handled is largely technical"; a third said, "More than 10% at present. These programs have been in force less than three years. Progress is being made slowly in procedures and authorization for disposals."

Question 5 was composed of two parts, first, "*Does your company employ both a records manager (administrator or analyst) and an archivist?*" The second part was designed to determine how many firms employed either archivists or records managers exclusively. Five companies out of the 48 replying employed both an archivist and a records manager. In response to the second part of this question, 3 firms said that they employed archivists only, 33 employed records managers only, and 8 did

not answer. Two firms commented that they employed records managers on a part-time basis.

Nineteen firms, in answering Question 6, replied that the records manager also performed the functions of an archivist, 11 answered he did not, and 8 did not reply to this question.

The final question, 7: *"If an archivist is employed, to which company official is he (or she) responsible?"* In five of the eight companies employing archivists, the archivist was responsible to the secretary. The other three archivists reported to company officials such as the public relations manager or the heads of research services and manager-records and communications.

Several companies, although not employing an archivist, replied to Question 7, indicating the company official to whom their records manager was responsible. Summarizing these replies, seven reported to the secretary; three to the comptroller; two to the vice president in charge of administration; and one each to a librarian, business manager, office manager, chief of bureau, and director of general services.

Questionnaire response indicates that from this select list of firms, about half provide for the preservation of permanent records and a scant 15 per cent employ an archivist as well as a records manager.

These findings led Dr. William D. Overman, head of The Firestone Tire & Rubber Company Library and Archives to conclude ". . . on the whole American business corporations have yet to be shown or convinced of the wisdom of preserving their own historically important records."[3]

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EARLY MACHINE TOOLS AND TOOL BUILDERS

WARREN G. OGDEN, JR.
North Andover, Massachusetts

A grant from the Wilkie Foundation of Des Plaines, Illinois, for a pioneer study of the history of technology was announced recently by the Massachusetts Institute of Technology. Robert S. Woodbury, Associate Professor of the History of Technology in M.I.T.'s Department of Humanities, will conduct the study. Its purpose is to show the development and implications of machine tools in industry.

Three brothers, Leighton A. Wilkie, Robert J. Wilkie, and James W. Wilkie are the founders of the Wilkie Foundation. Since many new and compelling problems of an economic as well as a sociological nature resulted from the Industrial Revolution, the Wilkies, whose business has been the invention, production, and sale of basic new tools, felt that they might make important contributions through education in the fundamental premises of the Machine Age. To this end, the Foundation has done a tremendous amount of research and obtained the cooperation of eminent world authorities.

A series of studies is planned to provide the scholarly foundation essential for a history of machine tools. The program is expected to result, in late 1961, in publication of a two-volume history of Metal-Cutting Machine

[3] William D. Overman, "The Pendulum Swings," *The American Archivist* (Jan., 1959), pp. 3–10.

Tools. The list of chapter headings will give an idea of the scope of this work:

1. Place of Machine Tools in Industry — Historical and Economic
2. The Lathe
3. Boring and Drilling Machines
4. Planer, Shaper and Slotter
5. The Turret Lathe
6. Gear-cutting Machine and Standardization of Gears
7. Milling Machine, Die Sinker and Profiler
8. Automatic Screw Machine and Standardization of Screws
9. Shop Precision of Measurement and Interchangeable Parts
10. Jigs, Fixtures, Arbors and Chucks
11. Grinding Machine, Lapping and Honing
12. The Metal Cutting Process and Its Tools
13. Broaching and Sawing
14. Conclusions

Two Woodbury monographs are already in print: *History of the Gear-Cutting Machine, A Historical Study in Geometry and Machines* (Cambridge, The Technology Press, 1959: pp. iv + 135; $3.00) and *History of the Grinding Machine, a Historical Study in Tools and Precision Production* (Cambridge, The Technology Press, 1959: pp. 191; $3.50).

In outlining his study program, Professor Woodbury points out that although historians have treated the political, economic, and social aspects of the Industrial Revolution very fully, only a few have looked at the technological side. Even these few have been concerned only with power (namely steam) and new materials (principally steel) and the many types of production machinery — largely textile. None have seriously considered the technical development without which the steam engine and the machinery could never have been built and the new materials would have been of little significance.

The monographic studies, based on primary sources such as patents, catalogues, trade journals, actual machines, and so forth, will give careful consideration to technical development and point out those political, social, and economic aspects of machine tools that are revealed by careful study of the sources.

Each monograph is planned as a chapter in the book rather than as a study complete in itself, and will be integrated with the other monographs. The gear-cutting machine study emphasizes the problems of embodying a complex mathematical theory in machines capable of translating the figures into metal. The grinding machine monograph stresses the influence of this machine on high-speed, high-precision production, especially in the automotive industry. The milling machine study (to be published in January) deals with the technical aspects of the machine itself. The monograph, now in preparation, dealing with precision measurement emphasizes the influence of such measurement upon interchangeable parts and on mass production. Subsequent studies of the turret lathe and the

automatic screw machine will tell the story of how these tools were developed to meet the need for high production output. The monographs on the lathe, boring and drilling machines, planer, shaper, and slotters will trace the influence of these classical machine tools in bringing about the Industrial Revolution. In the monograph on the metal-cutting process and its tools, it will be possible to show the application of pure science to specialized engineering problems. The technical details of the replacement of the skilled machinist by a few highly skilled toolmakers and a large number of relatively unskilled machine operators will be described in the monograph on jigs, fixtures, arbors, and chucks. Thus the whole series of monographs, and the two volumes intended to result from it, will try to make evident the historical and present influences of machine tools on many aspects of our industrial society.

Professor Woodbury's long-term plans contemplate the supplementing of his two-volume study of metal-cutting tools by single volumes dealing respectively with the history of metal-forming machine tools, woodworking machine tools, and hand tools (both wood and metal-working).

The value of this detailed and broad-gauged study and publication program is emphasized by the fact that at the present time there is no satisfactory history of machine tools and the men who built them. There is a great need, therefore, for a history of metal-cutting tools, and Woodbury's monographs constitute encouraging evidence of progress along these lines. There will be, of course, many uses for studies such as these. Among other things, they provide highly valuable background for others who, like myself, are interested in specific areas of machine tool building or in subjects that touch upon machine tool development. As an example of such a tie-in, there is a reference on Page 77 of the gear-cutting monograph to the pre-1850 employment of gear-cutting machinery in American shops. Woodbury's reference ties in with evidence provided in the very rare inventories of tools and machinery preserved in the archives of Baker Library, Harvard Business School. I quote the relevant items from George S. Gibb, *The Saco-Lowell Shops* (Cambridge, 1950):

Page 49

Inventory of the machine shop of the Boston Manufacturing Company [Waltham, Massachusetts], February, 1817

2 cutting engines	**$390**

Page 108

Machine-shop tools, Saco Manufacturing Company, December, 1829

1 bevel gear engine
1 cylinder gear engine
1 spiral gear engine

Pages 635, 636

Schedule of tools in the machine shop of Otis Pettee, Newton Upper Falls [Massachusetts], 1834

Two spiral engines	**$700**
One bevel engine	**200**
One engine for cone gears	**150**
One dividing engine	**200**

Page 636

Schedule of tools and machines in the shop of the Saco Water Power Company [Biddeford, Maine], January 31, 1850

2 Gear-cutting machines

There is one similar reference in Thomas R. Navin, *The Whitin Machine Works Since 1831* (Cambridge, 1950):

Page 566

Inventory of machinery [in machine shop] in the Northbridge Cotton Manufacturing Company, Northbridge, Massachusetts, 1831

1 cutting engine

The writer has an unpublished reference in an original machine shop Journal of Gay, Silver and Company, North Chelmsford, Massachusetts, dated from September 17, 1836, to January 7, 1842. On page 32 under the date April 1, 1837, is an entry:

Dr to Luther Ballard cutting pinion — .50

On page 66 under the date October 23, 1837, is an entry:

Dr to Sam'l Woods 5½ days work Cutting Gears 13.75

It appears from the above evidence that the first-rate machine shops in and about Lowell, Massachusetts, certainly had engines for cutting the teeth of gears when the occasion demanded. It is significant that all the above shops were textile machine shops.

In this context, it may come as a surprise to many to find that these early machine shops acquired considerable collections of contemporary engineering literature. The Proprietors of Locks and Canals on Merrimack River must have had the prize engineering library in New England. The Locks and Canals Company was operating a machine shop in 1825. It is a curious fact that there was no separate publication relating to metal-working machinery written in America through the year 1825. This probably accounts for the many works in French and German found in the collection. The Proprietors boasted a copy of Robertson Buchanan, ". . . on the teeth of wheels" (London, 1808), and S. Haindl, ". . . de la construction des Engrenages . . ." (Paris, 1840). The earliest machine shop reference to be found was in Charles John Blunt's *Civil Engineer and Machinist* (London, 1834).

What pleased me the most was to discover that classic of turning literature — Holtzapffel's monumental *Turning and Mechanical Manipulation* (3 vols.; London, 1843–1850). This is possibly the greatest work in the English language dealing with the lathe and its accessory apparatus. This work was also to be found in the extensive library of the Merrimack Manufacturing Company, the parent company of the famous Lowell Machine Shop.

The "educated machinists" of today's precision instrument shops are meeting the challenge of satellites, rockets, and interplanetary ships by improving materials, equipment and test methods, and have devised means to control tolerances to 1/10 second of arc (half a millionth of an inch

per inch). Quite obviously, we have come a long way since Robert Hooke and Abraham Sharp. The writer has in his collection an exquisite screw-cutting engine, signed Ferdinand Berthoud, Paris [1775], which reflects the feeling for beautiful workmanship possessed by the early clockmakers and their mechanicians. It is such machinists and toolmakers that have advanced our technology to what it is today. Reliable scholars like Woodbury are rapidly adding to our knowledge of their vital contributions to our modern society.

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BUSINESS HISTORY AT THE HARVARD BUSINESS SCHOOL

BARRY E. SUPPLE
Assistant Professor of Business History
at Harvard Graduate School of Business Administration

¶ The commentaries on the teaching and writing of business history that appeared in the Summer issue[1] invite the further exchange of experience and ideas in the field. The Business History course at the Harvard Business School is taught by Professor Ralph W. Hidy, Assistant Professor Arthur M. Johnson, and Assistant Professor Barry E. Supple. The following, with the exception of the last section, is adapted directly from the mimeographed "background paper" which students receive together with other course materials on the opening day of the course. It is hoped that this exposition of the subject to a student audience will be of interest to those teaching in the field.

At the Harvard Business School the Business History course is tailored specifically to the needs of the students. This means that, although students who have previously studied history will find some aspects of the course familiar, those who have *not* had any contact with the field before will not be at any real disadvantage. The basic assumption that a general historical background cannot be a prerequisite for the course seems, in many ways, not to be too great a drawback. Although it would obviously be a help if more students came with a better historical training, our approach is sufficiently different from most college courses to reduce the importance of this factor.

In essence, our course attempts to look at the businessman and at business in the past: studying the field of operation, the methods, techniques, development, structure, and role of business over long periods of time. However, this clearly cannot be accomplished in isolation from the rest of economic and social history.

A serious student of current business cannot disassociate the familiar types of organization, techniques, and policy problems from the economic and social institutions and attitudes which provide the setting and the realistic possibilities for business action. In the twentieth century there is interaction of a continuous nature between business and other parts of the society. His surroundings rule the way in which a businessman can behave; conversely, the way in which a businessman can and

[1] *Business History Review* (Summer, 1959), pp. 204–215; "Conference on the History of American Business," by Arthur M. Johnson; "An Approach to the Teaching and Writing of American Business History," by Stuart Bruchey; "Business History in Schools of Business Administration," by A. K. Steigerwalt; and "Blending Business History and Economic History," by Charles J. Kennedy.

does behave rules and conditions the surroundings. In other words, businessmen face a given set of problems (both internal and external to the firm) and try to solve them with available means and tools, or to innovate new means and tools, or to alter the problems which they face. And in the same way that the modern study of business deals with a continuous struggle between aims, means, and environment, so business history deals with the same struggle over time.

The Questions Asked

Business History, as we deal with it, asks some basic questions: What was the *context* of decision-making in the past? How has it varied over time? What was the influence of secular trends, of government regulation, of social and religious attitudes? What was the range of profitable alternatives? How did businessmen look upon society as a whole? Within the context so provided we can the better understand the evolution of business techniques and attitudes to their present conditions. Obviously, a great amount of attention must be paid to the comparatively recent past — to the development of a more or less fully industrialized civilization — although in fact we have reasonably good indications and records of business extending over thousands of years. Nevertheless, the historian has a great deal to learn from periods before the Industrial Revolution. Studying the processes of perpetual change, the rise and fall of a whole *variety* of ways of doing business, which are the more distant roots of twentieth-century practices, he can come to understand something of the nature of human development and something of the rhythm of business evolution.

The Method of the Course

The approach which has just been outlined is, in fact, a perfectionist sort of statement. Our areas of ignorance are still wide and we still have — and always will have — much to learn. More than this, the one semester which is at our disposal in this course is far too brief a time to encompass the diversity of fields which are necessary to an understanding of the significant areas of business history. In these circumstances, what we try to do is to study the economic and social backgrounds to selected periods of time, and, for each of these periods, to take examples or *types* of businessmen whom we consider most representative of their age — that is to say, we focus on the *predominant* examples of business activity.

The business historian is, at bottom, faced by a twofold question: *How* were certain things done? And *why* were certain things done? The *how* is essentially the administrative question, which we do not ignore. The *why* is a more dynamic approach and is, essentially, the emphasis of our course.

We pursue a sort of kangaroo progress through history. We start with a general appraisal of the approaches to business history and capitalism and a superficial view of the Ancient World as a brief example of an entirely different social and economic structure. We are then able to look a little better at medieval Europe, in which we point to some origins of modern business; at a structure of business which has been conveniently

labeled petty capitalism; at the development of large-scale merchandising and finance; at the rise of men whom we can truthfully call capitalists. From there we move to the business element in the foundation of the American colonies and also consider the interactions at the close of the Middle Ages between religion, business, and social philosophy. Our rate of chronological progress slows appreciably when we come to look at eighteenth-century American business and its setting, at the transition to industrial capitalism, at the business factors during the course of industrialization, at the progress of business in the nineteenth century, at finance, production, and merchandising in the modern world. And even while thus concentrating on comparatively recent history we still keep looking back at the roots of economic behavior.

The philosophy of the course is based upon these assumptions: (1) All decision-making and preparedness depends upon experience, and historical knowledge is a significant form of experience. (2) Any full understanding of the present depends upon a knowledge of the past. In other words it is our hope that business history can give a *perspective* to the student and businessman which cannot be obtained by any other means. Through its use we can examine the evolution of the things which he does now, the social origin of his practices, the consequences of his actions, the reaction on his part to periods of slow or rapid change in the past. Of course, no situation ever repeats itself, but the historical view enables us to focus upon that *flexibility* of approach which marked a majority of the outstanding businessmen of history. Perhaps, above all, the lesson which we try to impart to the student by means of history concerns the extent to which the things which businessmen do and the attitudes which businessmen display are conditioned by the environment in which businessmen work. If general history is concerned with change, then business history is concerned with both change and adaptation.

Business History at the Harvard Business School presents unique pedagogical problems. Roughly half our course consists of lectures, some of which have background material derived from varied sources. The lectures are not intended at all to encourage quiescence on the part of the student, and it is expected that he will participate, on the basis of outside reading or background material or cases, as the spirit moves him. On the other hand, the cases which are discussed in the course are of somewhat different nature from case material in other courses in the School. Business History cases do not confine themselves to the problem of decision-making alone, and they are generally rather more descriptive than other cases in the School. The task in business history is normally to analyze the *reasons*, the factors which lay behind the decisions already encapsulated in the case, and to consider the feasible alternatives for each business or businessman in view of the environment of his time. We try to accustom the students to the idea of the whole *context* of business bearing upon the businessman's decision-making.

From year to year the content of the course is changed. This does not merely apply to the subject of the lectures: as experience, further study, and new contributions cause instructors to think a shift in emphasis or subject matter is desirable, so new cases are added.

Reading and Preparation

We expect that students will undertake extensive background reading to provide depth in their appreciation of case and lecture topics. A small part of this background is derived from the cases and descriptive material in N. S. B. Gras and Henrietta M. Larson, *Casebook in American Business History* (which is also used for some case discussions). Other references are in a reading list supplied the students; the mimeographed case material also includes suggested readings for specific class meetings in the first part of the semester. However, any student who wishes more specific guidance, including references for particular topics in which he may be interested, is encouraged to confer with one of the three instructors who participate in the course work.

Book Reports

One of the requirements of the course is the writing of at least two book reports. Specific instructions, together with a list of books, are circulated to students. These relatively short reviews — of books which in any case would have to be read in a course of this nature — are in no way connected with the fulfillment of School report requirements for second-year men. They are an integral part of the Business History course and provide the student with an opportunity of reading and analyzing a small part of the available literature.

Long Reports

There is no obligatory report in Business History. However, any student who needs to make up his required number of School reports, and/or feels that he would benefit from writing one in Business History, is asked to confer with the instructors, who help him in the selection of a topic.

Enrollment and Student Reaction

Business History is an elective course, given both semesters, and competing for the second-year students' all too scarce time with 13 full-year courses (one required of all students), 14 half-year courses given in one semester only, and 10 half-year courses given in both semesters. Nevertheless, it appears to be a strong competitor. From the foregoing array (excluding the obligatory full-year course in Business Policy) each student must limit himself to four courses in each semester. Yet in the session 1958–1959, counting both semesters together, some 21 per cent of the Class of 1959 elected to take Business History — two-thirds of them in the second semester.

On the whole, over 50 per cent of the students participate actively in class-discussion, although, naturally enough, fewer than this actually make outstanding contributions. The response to individual cases varies from semester to semester, but the backbone of our case material (e.g., the Medici Bank, Thomas & John Hancock, John Jacob Astor, Boulton & Watt, Saco-Lowell, Standard Oil Company [New Jersey]) continues to attract most attention. Business History, of course, is unlike nearly every other course at the Harvard Business School. It would be disingenuous to

pretend that no student takes it because, measured against the constant case-discussion in other fields, it is less demanding of his concentrated effort. In spite of this, however, a good number of students appear to experience a need — amid the "practical" offerings of the School's second year — for a course which will provide a longer and more comprehensive perspective to their education in modern business problems. From such men, as well as from those who in any case are and have been interested in history as a field of knowledge, we naturally draw our most satisfying students.

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FROM THE EDITOR'S DESK

The announcement of 1959 Newcomen Awards winners and the stimulating prospects unveiled by the generosity of the Newcomen Society serve, among other things, to focus attention on the subject of manuscript quality and format.

A favorite complaint of the professoriat, not only at undergraduate but also at graduate school levels, concerns the quality of student writing. This is variously ascribed to lack of care, lack of time, or academic deficiency at the primary and secondary school levels. The fact should be more widely known, however, that the professors themselves are not without sin. I believe it is not an exaggeration to say that most editors of scholarly journals are occasionally appalled at and more or less chronically discouraged by the mechanical deficiencies of the manuscripts they receive. I would like, hopefully and in a constructive spirit, to devote these few paragraphs to an examination of our own experience on the *Business History Review*.

Like most periodicals of its kind, BHR operates with a very small staff. The Associate Editor, in fact, is the only full-time employee. The limitations of our ability to extend editorial succor to ailing manuscripts is obvious. Over the past four years I believe there has been no instance where an article has been rejected by BHR because of poor grammar, punctuation, or even organization, but this practice becomes less and less practicable and more and more unfair to non-sinning authors as our circulation, our content, and our manuscript flow increase. It behooves us, then, to point out the most common failings and to urge the observance of certain considerations in the preparation of a manuscript for publication, not only in BHR but elsewhere as well.

Punctuation and spelling are almost a lost cause. If the average contributor, who holds a doctorate, has published at least one book, and is at least an Assistant Professor, has not yet learned to spell and punctuate, he probably never will. He might, however, by recognizing his weakness, be able to effect enough improvement to avoid serious distortion of his meanings. Such distortions do occur, especially from faulty punctuation, and very often they are not caught until page proof, which is a great economic waste.

The problem of poor organization is equally noxious, chronic, and widespread. Possibly one-quarter of the manuscripts we receive are seriously impaired by organizational deficiencies that lead to duplication and

loss of the thread of logic. Haste rather than incompetence is clearly to blame, and it is only fair to report that the culprits are not necessarily confined to the lower academic ranks. He is indeed the rare genius who can sit down and pen a good article without benefit of an outline and at least one revision.

The would-be contributor to this or any other magazine should also be advised to take the trouble to conform to standard editorial practices in respect to documentation and manuscript preparation. Few do so. Footnote practice varies, but the constant factor should be completeness. *Ibid.*s and *op.cit.*s are dangerous tools if used incorrectly, and the BHR editorial staff, at least, would prefer that the authors use short titles repetitively rather than risk an errant source reference. It goes without saying, of course, that manuscripts should be typed, double-space, on uncrowded pages and submitted in the original. The most accommodating linotype operators balk, and rightly so, at working from carbon copies.

The question of length is not dealt with easily. It is a truism that many if not most authors take too much space to spell out their message. There is little observable correlation, however, between the length of an article and its value. Some of our best have been our shortest — also our longest. The important consideration, in any case, is that authors recognize the space limitations of a periodical such as BHR and squeeze their manuscript as tightly as possible without squeezing their thinking. Our experience has been that manuscripts returned to authors for length reduction invariably come back to us not only shorter, but better. It is equally true that some subjects defy compression to a size we can handle. A manuscript of 35 typed double-spaced pages is pushing our single-issue limit and crowding other contributors. On several occasions we have carried longer articles, but only such as passed exceptionally rigid tests. BHR has also printed two-part articles in successive issues, but the practice creates difficult problems, particularly of continuity, and is not encouraged.

The space problem is a particularly heavy cross for doctoral candidates to bear. Few doctoral theses can be compressed successfully to article length, and we are forced to advise against attempting to do so. Almost always, however, good prospects exist for an article that focuses on one phase of the thesis subject, utilizing, perhaps, supplementary data that could not be employed directly in the dissertation.

A handy rule-of-thumb for all contributors is that four typed double-spaced pages of average fullness will yield three printed pages of regular article text. Four typed double-spaced pages yield about two-and-one-half pages of OVER THE COUNTER text.

The triviality of these mechanical points is open to challenge. The bad impressions generated by these various manuscript deficiencies can be decisive in the case of borderline presentations and can seriously impair even the best articles. The author who exposes his flank to attack from the editorial blue pencil exhibits a faith in the ability of editors to preserve his meanings which, while heart-warming, is not and cannot be always fulfilled.

BOOK REVIEWS

THE BANK THAT BANKS BUILT: THE STORY OF SAVINGS BANK TRUST COMPANY 1933–1958. ***By Adolph A. Berle, Jr. New York, Harper & Brothers, 1959. Pp. 125. $2.75.***

Reviewed by Lance E. Davis
Purdue University

It has become a common practice to distinguish between "scholarly" business history and the short popular biographies of a business written (frequently by the public relations department) to commemorate the twenty-fifth, fiftieth, or hundredth anniversary of a firm. Such a neat categorization is not very useful in an analysis of Adolph Berle's study on the Savings Bank Trust Company, since his study falls, somewhat uncomfortably, somewhere between these two classifications.

Although the Savings Bank Trust Company has been in existence for only a relatively short period, it is a firm worthy of a good business history. Organized to meet the emergency of the depression, it has continually adjusted its activities to the changing needs of its constituent savings banks. Chartered by the New York legislature to act as a lender of last resort for the mutual savings banks of the state (banks that could not appeal to the Federal Reserve System for help), the Savings Bank Trust Company was a success long before it had opened its doors. In 1933 news of its organization proved sufficient to halt a bank run that had threatened to force a general savings bank suspension. That crisis past, the Trust Company helped restore public confidence in the savings banks by initiating a successful deposit insurance scheme. Then, as the economy struggled back toward full employment, the Savings Bank Trust Company provided assistance to the mutuals whose portfolios were heavy with mortgages in need of rehabilitation; and in addition, since the savings banks held bonds in many bankrupt firms, the Trust Company represented their interests in the subsequent reorganization proceedings. During World War II, as the depression-induced needs of the savings banks receded into the past, the Trust Company participated actively and profitably in the federal funds market; and, more recently, it has greatly strengthened the banking information and investment consultation services that it operates for the savings banks of New York.

Wholly owned and financed by the mutuals (although the R.F.C. originally guaranteed financial support), the Savings Bank Trust Company represents an interesting experiment in environmental adaptation. The

small mutual savings banks, excluded from the protections offered by the Federal Reserve System, face a financial world dominated by the large commercial banks and even larger insurance companies. Although they are small (the smallest has assets of only a few million and the largest something over a billion dollars), acting together through the Trust Company, they can make themselves felt in the New York money and investment markets (in aggregate the New York mutuals have assets of about $20 billion and an annual flow of new funds on about one-tenth that amount). The success of this cooperative enterprise can be measured not only by its continued dividends but also by the indirect profits it earns for its "member" banks. For example, from 1933 to 1943 the mutuals found it more profitable to self-insure their deposits through the Trust Company than to join the F.D.I.C. More recently, the savings banks, acting together through the Trust Company, have found they can compete with the large insurance companies in the direct placement market.

Not only does the bank appear to provide a stimulating subject for research; but, also, Mr. Berle seems particularly well endowed for the task of writing a first-rate business history. His earlier work has gained him a well-deserved reputation for scholarship; and, in addition, it has shown that he is unwilling to accept the "sugar and treacle" interpretation of business history, at least not without proof. Finally, since he served as legal counsel for the Savings Bank Trust Company during the period of its incorporation and for the next five years held a seat on its board of directors, he has an intimate knowledge of the company's activities.

His study, however, does not fulfill the promise offered by the author and his subject. The book was commissioned to honor the company's twenty-fifth anniversary; and like most such publications, it was designed to provide a popular, easily read history for the interested layman. In addition, it appears that neither the records of the institution nor the private correspondence of its officials was examined in detail; instead, the author has depended almost entirely on legal documents, the company's annual reports, and his memories of the period. The result is a pleasant, readable little book that at times (for example, in the chapter on profitability) displays flashes of solid scholarship. For the most part, however, the author does no more than touch on questions whose answers would be fundamental to a really first-rate business history.

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OUT OF OUR PAST: THE FORCES THAT SHAPED MODERN AMERICA. ***By Carl N. Degler. New York, Harper & Brothers, 1959. Pp. 484. $6.00.***

Reviewed by Vincent P. Carosso
New York University

The purpose of this book is to appraise the forces that have made America what it is today. Mr. Degler reviews "the multitudinous events of the American past . . . through the lens of the present," selecting those ideas, movements, and developments which he believes are most relevant in understanding how the United States has evolved over the past three hundred and fifty-odd years. As a result, this is the kind of book that allows experts and laymen ample opportunity to argue with him over

what he has included and omitted. No doubt a few will, for Mr. Degler has left out much that one is accustomed to find in surveys of this kind. Foreign affairs, for example, are ignored almost entirely, while the so-called "traditional" approach to domestic politics is given scant attention. On the other hand, topics which are often neglected in standard one-volume histories receive detailed and penetrating analysis. The role of the family in molding American society, the part played by women, the importance of the changing status of the Negro, and the significance of urbanization in determining the national character are treated thoroughly. Business historians will not find too much that is new in Degler's discussion of the rise of big business or in his analysis of the many consequences wrought by the radical changes which occurred in the business structure during the latter part of the nineteenth and the early years of the twentieth centuries. What there is on these subjects, however, is expertly discussed.

In some respects Mr. Degler has written a book similar to the elder Schlesinger's *New Viewpoints in American History* (1922). Every chapter represents an up-to-date summary of the major research on the subject under discussion. At the end of the book there is a critical bibliographical essay appraising the major secondary literature from which the author has drawn his facts and many of his ideas. *Out of Our Past* should appeal to the general reader who wants a one-volume survey which is sound in scholarship and well written. It should prove equally useful as supplementary reading for a number of college courses in different areas of American history. Since Degler assumes his reader is acquainted with the basic facts of American history, he can avoid text-like chronicling and concentrate on comparing and evaluating conflicting interpretations and, now and then, suggest a new one of his own. A book covering as much ground as this one is bound to cause a few readers to question some of the author's views, whether expressed or implied. His treatment of the "Great Depression" and its consequences, including the new political, economic, and social concepts which grew out of it, for example, follows the generally accepted interpretation of those who subscribe to "the necessity of the guarantor state" rather than to some of the more recent conservative reappraisals. But despite differences of opinion, almost everyone will concede that this is a highly competent, clearly reasoned, and vigorously and interestingly presented account of "those aspects of the [American] past which bear on the present." Each reader will decide for himself whether Mr. Degler has succeeded in answering the question he posed at the outset: "How did Americans get to be the way they are in the middle of the twentieth century?"

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THE LIFE AND DEATH OF A QUICKSILVER MINE. ***By Helen Rocca Goss. Los Angeles, Historical Society of Southern California, 1958. Pp. xvi + 150. $5.00.***

Reviewed by Clark C. Spence
Pennsylvania State University

Important deposits of cinnabar, the major ore of mercury or quicksilver, appear in California, where, as if by the generosity of Nature,

they were early found in close proximity to the gold mining industry — the industry most heavily dependent upon the use of the liquid metal. For many years the production of quicksilver ranked second only to gold in California and at one time that state produced about one-half the world's quicksilver supply.

The Life and Death of a Quicksilver Mine, by Helen Goss, deals with one of the largest producers of the era 1873–1909, the Great Western mine, situated in Lake County eighty miles or so north and east of San Francisco. Coincidentally the author's father, Anthony Rocca, served as superintendent from 1876 to 1900. The term "Life and Death," Mrs. Goss explains, refers to the periods of prosperity and of depression — of "bonanza" and "borrasca" — experienced by the mine and by those connected with it.

The book is divided into five parts, each of which has been published previously in article form — all but one in the *Quarterly* of the Historical Society of Southern California. Part I places the mine in its chronological and geographical setting, emphasizing its isolation and the problems of transportation, discussing all too briefly a few of the aspects of quicksilver mining and reduction, and incorporating a number of incidents from the early years of Anthony Rocca's superintendency. Part II has little to do with mining, except incidentally. Rather it presents a running, almost day-by-day account of the life of the Rocca family and their neighbors in this secluded mine community. Part III deals with the 200 to 250 Chinese who labored in the Great Western or who acted as household servants for the Roccas. Here the treatment is standard, focusing the spotlight on the more picturesque aspects of Chinese life, but leaving the total body of information on this special labor group almost as meager as before. Unfortunately, too, the author places more emphasis on anecdotes relating to the handful of domestic servants than on the miners themselves.

Part IV is concerned with bad men, especially Buck English, "the master highwayman of the area." Buck was a bad one all right and his downfall is proof that crime does not pay. There is no proof, however (or at least none is presented), to indicate that Anthony Rocca played any significant role in the bandit's undoing, as Mrs. Goss suggests. Part V takes the reader back to the mine, accentuating its successes and its failures. Production reached its peak in the years 1879–1881, says the author, when about 7,000 flasks of quicksilver per annum were shipped — a record which usually left the Great Western running third or fourth in net yield, with the celebrated New Almaden mine of Santa Clara County invariably heading the list. Early reports "puffing" the Great Western showed inexhaustible ore supplies — sufficient "for a century to come" — yet output began to fall off in 1884, reaching its nadir in 1889, when the company could not meet its payroll obligations. Prosperity returned momentarily but dull markets prevailed from 1892 until 1900, when Rocca severed his connection with the property.

The Life and Death of a Quicksilver Mine will undoubtedly appeal to the devotee of Californiana, but the student of economic history in general will be disappointed that so little has been included on the mineral industry itself. More would have been welcomed on the basic problems of

financing, managing, and operating a quicksilver mine and reduction works. Litigation is mentioned in a scant dozen lines. Perhaps the Great Western was unique in this respect: certainly few other successful mines in the West were able to operate for more than a quarter of a century with so little court action.

Reproductions of photographs from the author's private collection enrich the text of the book, though it is a pity that so many are only half-page cuts, with the remainder of the page left blank. The index is adequate but a bibliography is lacking. The historian will question the heavy reliance Mrs. Goss places on the "random memories" of her own brothers and sisters made in 1947–1957 to describe events and experiences of their early childhood years. Other major sources include letters and a diary written by the author's mother, Mary Thompson Rocca, and local newspapers, especially the Calistoga *Calistogian*. A serious omission is the failure to consult the mining press, either state or national.

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ENDLESS FRONTIERS: THE STORY OF MCGRAW-HILL. ***By Roger Burlingame. New York, McGraw-Hill Book Company, Inc., 1959. Pp. 506. $7.50.***

Reviewed by Allan W. Ferrin
Appleton-Century-Crofts, Inc.

This book, interestingly written by a well-known writer, is not a business history in the usual sense, but rather, as is pointed out in the Preface, a portrayal of the technological and management revolutions of the last several score years and the role of the business press therein, with the McGraw-Hill organization, its predecessors and publications, as the protagonists.

Although as long ago as the sixteenth century such concerns as Fugger of Augsburg had correspondents over the known world sending confidential reports back for appraisal at headquarters, in general the use of the power of print lagged behind the progress of the industrial revolution. Trade secrets were passed from father to son; management was "by the seat of the pants" and in the mind of the proprietor absolutely no one else's business.

Gradually, as science and business became partners, as the use of interchangeable parts and mass production developed, these attitudes began to change, and the trade or business press began to play an increasingly important role. Appearing first in such fields as railroading, pharmacy, textiles, and mining, early publications were sometimes folksy, sometimes serious, often under advertiser domination, and frequently short-lived. Gradually, however, they increased in number and spread by an amoeba-like process as increased specialization divided their readers in each industry.

Onto this scene at about the same time came James H. McGraw and John A. Hill. McGraw, born in 1860, was the son of a farmer, but was trained as a teacher and was always an educator at heart. Hill, foreman of a printing shop in his teens, miner, and then a locomotive fireman, wrote such excellent letters to the editor of a locomotive magazine, that

he was eventually invited to become editor. In personality, one gathers, it would be difficult to find two more different men, but in their ideals they were similar and both helped greatly to bring new standards to the business press. The reader came first, not the advertiser. The reader's interests were carefully defined and followed. Industry was to be led, not just have its past reflected. Independence, truth, alertness, and foresight were necessities for each man.

Both men built highly successful organizations, each with a number of publications and each as well publishing some books, drawing heavily on the material and markets of the magazines. In 1909, the two book department heads, both enjoying considerable independence because of the preoccupation of their bosses with the magazines, saw and were able to convince their respective managements of the advantages of a merger of the book activities. From then on, their lists grew rapidly in quantity and scope to become among the most respected in book publishing.

The magazines continued highly competitive until Hill's death in 1916, when it became apparent that after his one-man rule, no successor could be found within his organization. In just over a year, the merger was arranged with the McGraw interests dominant.

From this point on, the book resembles quite closely the usual nonanalytical company history; perhaps it has to, for with continuing growth the combined companies became a really major corporation. At any rate, one follows McGraw-Hill through World War I when engineering books and the business press came into their own as weapons, the expansion of the twenties when plans for *Business Week* and the building were laid, the troubles of the depression, the contributions in World War II, an appreciation of Mr. McGraw who died in 1948, the tremendous postwar expansion, behind-the-scenes inspections of various departments, and a glimpse of the future. Following the text is a twenty-seven page chronology of significant world events and McGraw-Hill developments, as well as an index.

This is a lot to encompass in under five hundred pages, and one might wish for more on what other people and firms were doing contemporaneously in these fields as well as for more complete information on McGraw-Hill itself as an operating business — decision-making, finances, etc. — and on the individuals other than McGraw and Hill and the very few others mentioned, who must have contributed considerably to the growth and success of the firm. Such, however, was not the author's purpose, and the goal he did set for himself has been very well attained. The book is well written, attractively designed, and copiously illustrated.

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JIM FISK: THE CAREER OF AN IMPROBABLE RASCAL. ***By W. A. Swanberg. New York, Charles Scribner's Sons, 1959. Pp. 310. $4.50.***

Reviewed by Julius Grodinsky
Wharton School, University of Pennsylvania

Creative literature — "belles lettres" — has for many years included political and military figures as vehicles for expression. Within recent years businessmen have been dramatized occasionally in novels, but more

frequently in the form of essays or biographies. They are written with a touch of verbal color; dramatic imagination is given free rein; and prosaic business incidents are twisted into surprising forms. But the books are interesting; they are pleasant reading.

Jim Fisk fills this bill of particulars. It is clearly a "popular" book. What is its value to students of business history? The ethical climate of political and business life in the post-Civil War period is well presented. That has been done frequently in many sources. There is, however, somewhat more in this volume on Fisk as an individual — particularly on his love life. There is, however, nothing new in a business sense. But the accepted knowledge is colored with stylistic fascination: similes and metaphors abound; and so do hyperboles. Many of these observations lead to curious misinterpretations of business principles. For example: "Unlike Drew, he (Cornelius Vanderbilt) would buy steel rails and make the customers pay for them." (P. 30.) This could refer either to the practice of charging the item to the expense account or to a charge against retained earnings. Either method is sound finance. One more case: a projected 1869 pool between the Pennsylvania, Erie and New York Central was designed to "gouge shippers to the utmost . . . ." No evidence is presented to support the statement.

Many such remarks pervade the book. But it is intriguing reading — especially about the lovely Josie and her paramours.

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THE STRUTTS AND THE ARKWRIGHTS, 1758–1830: A STUDY OF THE EARLY FACTORY SYSTEM. ***By R. S. Fitton and A. P. Wadsworth, Manchester, Manchester University Press, 1959. Pp. xi + 324. 35s.***

Reviewed by Keiichiro Nakagawa
University of Tokyo

This elaborate work by Professors Fitton and Wadsworth might be considered as a companion volume to George Unwin's classic, *Samuel Oldknow and the Arkwrights*, not only in that both have similar titles and a comparable style, but also in that both explore closely related aspects of the English cotton industry during the Industrial Revolution. Samuel Oldknow and Jedediah Strutt were typical "cotton lords" and both were closely associated with Richard Arkwright. But Oldknow was originally a manufacturer of muslin, primarily concerned with fine "mule" yarn, and consequently, although he was supplied with cotton warp by Arkwright, his relationship with Arkwright remained passive and financial. Strutt's relationship with Arkwright, however, was more direct and positive and is therefore more important in the history of English cotton industry. Strutt was really the financier of Arkwright's efforts to improve the "water frame" and a partner in operating the pioneering cotton spinning factory which was "to change the Northern landscape in the next hundred years." Consequently, the readers of this book would naturally expect it to undertake a full-scale investigation of the "Arkwright mills," which, however romanticized they might have been, have never been explored as scientifically as is warranted by their position as an "early experiment in industrial organization."

Part I (written by both authors) deals with the life and work of Jedediah Strutt and to some extent with that of Richard Arkwright himself. The son of a small farmer, Strutt, after being apprenticed to a wheelwright, perfected a rib machine and with it started a hosiery manufacturing business in Derby, in partnership with a wealthy hosier, Samuel Need. He operated it on an extensive scale of putting-out, which was quite similar to that of Samuel Oldknow, employing from 200 to 400 knitters and a number of "takers-in" or "undertakers" (putters-out) outside the town of Derby. His familiarity with water power in Lombe's famous Derby mill, and his sense of the potential market for the products of roller spinning, drove him in 1771 to establish at Cromford the first cotton factory in England in partnership with Need and Arkwright. In addition, he started cotton mills by himself in Belper and Milford. The authors tell us much about such aspects of these pioneering mills as: the difficulties which Arkwright and his "Patent Machines" had to [face] in competition with the number of small carding and jenny factories (which Dr. Wadsworth once studied in detail in *The Cotton Trade and Industrial Lancashire*); the need to operate subsidiary trades in order to provide jobs for the adults whose children were working in the factory; the varying nature of industrial incentives and the efforts toward the building of a factory community through such means as the establishment of a chapel and a Sunday school; the high profit rate and the other factors which resulted in 24-hour operation. And the authors, by adding much new evidence, appear to have underlined many of the disadvantageous features of the Industrial Revolution which were depicted by George Unwin. Two exceptions to this are the fact that Arkwright and Strutt did not take parish apprentices like Oldknow, and the fact that Oldknow's practice of using shop notes as a means of wage payment was not quite typical of the factory colonies of the days but was based on his special background.

Part II (written solely by Dr. Fitton) is devoted to the activities of the second generation: William, George, and Joseph Strutt. To begin with the author provides a masterly survey of the general condition of the English cotton industry in the early nineteenth century. Among the firms of various sizes, the Strutts' mills at Belper and Milford, employing from 1,500 to 1,600 people, were, together with Owen's New Lanark Mill, the largest cotton undertakings in Great Britain. As the authors complain, the lack of Strutt records means that we cannot discover a great deal about production, and especially about the factory (as distinct from labor) management in these mills. However, there is a comprehensive description of the construction of the factory buildings, which were the first fire-resistant and multistoried cotton mills in England. Dr. Fitton goes into great detail about the purchasing of raw materials and the marketing of the products at home and abroad. Generally speaking, the Strutts were more dependent on the London market than most of the Lancashire cotton mill owners, and were (presumably for this reason) fairly conservative in their operations. Significantly enough, the business of conservative Strutts survived, prospering today as the English Sewing Cotton Co., while the daring and speculative activity of Oldknow brought him to the brink of ruin as early as the beginning of the nineteenth century.

The principal value of this book lies in the contribution which it makes as a finishing touch to the existing portrait of the cotton industry in the course of the Industrial Revolution. As business historians, however, we might, ideally, wish for more than this. For instance, it would have been of even greater value if the authors had been able to place more stress, as Unwin himself did, on the organizational and internal management problems of these pioneering mills. That they were not able to do this, is largely the fault of the absence of records. Within its limits the book makes a worthwhile, if minor, contribution to the business history of industrialization.

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THE EARLY HISTORY OF THE HOUSTON OIL COMPANY OF TEXAS, 1901–1908. ***By John O. King. Houston, Texas Gulf Coast Historical Association Publications, Vol. III, No. 1, April, 1959. Pp. 100. $3.00.***

**Reviewed by Gene M. Gressley, Archivist
University of Wyoming**

On the evening of November 12, 1901, at 11:00 p.m. three hundred guests sat down to an eight-course dinner in the Rice Hotel, Houston, to pay homage to John Henry Kirby. The guests had reason to be impressed with their celebrity, for Kirby had — four months previously — chartered the Houston Oil Company for $30,000,000, the largest corporation ever chartered in Texas, up to that time.

With a reputation (and a fortune) as a successful lumberman, real estate operator, and railroad promoter, John Kirby traveled East in search of capital for an ingeniously contrived enterprise. In Cleveland, Kirby found a sympathetic if not eager listener to his scheme in the person of Patrick Calhoun a grandson of John C. Calhoun and a prominent corporation attorney. The Texas entrepreneur proposed to Calhoun that an oil development company be organized to acquire 1,100,000 acres of timberland, which Kirby claimed he "controlled." The purchase of these timberlands was to be paid for in oil company stock. The oil company, having obtained title to the timberlands, would then enter into a contract with a reputable lumber company (obviously the Kirby Lumber Company) for the sale of lumber over a long period of time. The stumpage rates and minimum cut of timber each year were to be specified in the contract. The profits realized from the timber sales could be utilized by the oil company for its operating costs.

Calhoun liked the idea for he saw potential investors who, although "skittish" about placing their money in the new Texas oil industry, could be lured more easily into purchase of stock on the basis of a sound lumber contract. However, the Cleveland lawyer was somewhat skeptical of Kirby's ability to offer preferred stock as a method of purchasing timber lands. He therefore suggested that the oil company assign its rights under the timber contract to a third party trustee, the Maryland Trust Company. This trustee would provide the capital to finance the oil company activities by issuing interest-bearing timber certificates, these in turn secured by the timber contract. Another provision of the agreement was that Kirby

furnish $2,500,000 operating capital, mostly for modernizing his 16 sawmills. Kirby accepted these stipulations and on July 5, 1901, the Houston Oil Company of Texas was chartered.

No special insight is demanded to see that saintly personalities would be highly desirable in the successful initiation of such a contract. Kirby and Calhoun were not given to angelic actions. Difficulties appeared almost as soon as the incorporation papers had been processed. Kirby, first of all, had trouble obtaining all of the timberland that he had promised to deliver. Secondly, no centralized authority or general accounting features were put into effect. Thirdly, Kirby was incapable of raising the $2,500,000 detailed in the agreement. By the winter of 1903, both the Houston Oil Company and the Kirby Lumber Company were near financial collapse. Finally in March, 1904, the companies went into receivership. This initiated a four-year legal struggle in which suits, countersuits and cross suits were filed with amazing rapidity. The author notes that by 1908, only personal animosities stood in the way of a settlement. Actually both companies had a better economic base than their chaotic financial condition four years previously would have indicated. This was demonstrated by the fact that by 1908, their indebtedness had substantially decreased. Kirby and Calhoun in July, 1908, negotiated a settlement whereby the Houston Oil Company was given title to 800,000 acres of timberlands. The sawmill plants and equipment would be turned over to Kirby, provided a reduced stumpage contract was executed.

The Houston Oil Company was obviously in a unique position to benefit from this settlement. Not only did the stumpage sales provide a steady source of capital but the fee-simple acreage permitted the company to avoid lease rentals, a costly and frustrating experience for many companies in the post-Spindletop boom.

The termination of the Houston Oil Company as a corporate entity came in 1956, when the Atlantic Refining Company and Time, Inc., purchased the petroleum and timber interests for $243,000,000.

The total impression is that Mr. King has given a creditable account of a complex and intricate business structure. The style is lucid and succinct, with the exception of a few pedestrian lapses. This reviewer felt the book could have been improved by the author's sketching in more of the general economic conditions in Texas at the turn of the century. For instance, with the tremendous overproduction after Spindletop (oil sold for 3 cents a barrel) wouldn't the Houston Oil Company have had difficulty realizing its potential profits? The map and index are inadequate.

Certainly though, this monograph is a pertinent illustration of the value accruing from examining the development period in a petroleum company with a limited economic sphere of interest. One may hope that other historians will follow King's example and investigate such companies as the Fullerton Oil, Midwest Refining, and Indian Refining — to name just three.

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THE BREWING INDUSTRY IN ENGLAND, 1700–1830. ***By Peter Mathias. New York, Cambridge University Press, 1959. Pp. 623. $15.00.***

Reviewed by Barry E. Supple
Harvard Graduate School of Business Administration

The number of really worthwhile industry histories is disgracefully small. "Disgracefully," because economic historians have willfully avoided those specific business details without which an industrial study can only be superficial, and because business historians have too frequently failed to live up to their promise to build a more imposing edifice on the basis of comparative company studies. An industry study is one of the more demanding tasks which an historian can undertake, for it presupposes a constant and judicious balance between the analytical generalities of a survey and the searching investigation of particular businesses. The resulting synthesis is (or should be) much more than an arithmetical combination of two historical elements. Each aspect lends force and relevance to the other: the business is interpreted in the light of its environment; the total view of industrial structure and evolution is illuminated by an indispensable grasp of how economic mechanisms are interlocked with human institutions. The end-product of such an undertaking, by delineating the interplay of *all* the significant factors in a business and industrial situation, will make a mockery of any too parochial a distinction between "economic history" and "business history." It will, if sufficiently comprehensive in scope, take a long stride toward the fuller understanding which must be the goal of *any* study of history.

Mr. Mathias has provided us with an excellent example of this rare species, and it is not merely the relative absence of competition which gives value to his work. *The Brewing Industry in England* would be a classic in any company; in the present state of industrial history it is invaluable. The author has demonstrated how it is possible to create a synthesis from the interlocking study of industry and firm; how an urbane style can carry the reader through the meticulous details of technology as well as the broader sweep of over-all economic change; and exactly how fruitful can be a study which does not limit itself to any one set of tools from economics, history, or sociology. As Mr. Mathias writes (p. 331):

> the study of business enterprise . . . cannot be abstracted out as a purely economic or "entrepreneurial" function. The business historian is much concerned with the economic consequences of non-economic factors, and has to relate the springs of enterprise in individuals, if he can, to their differing business circumstances and their differing social circumstances. He must concern himself with the total relevant context within which enterprise is operating.

However, it is not only its methodological implications which explain this book's real worth. It is also a searching and original investigation of an industry whose impact on the English economy has been unfairly clouded by the superficially more spectacular rise of modern cotton textiles, coal, and engineering. Brewing is decidedly *not* one of those picayune subjects which historians perennially resurrect as "a much neglected topic" and proceed to embalm in tedious monographs. Prior

to the nineteenth-century resolution of the economic stresses which the traditional Industrial Revolution imposed, England was, in the undergraduate's phrase, "a predominantly agricultural economy." But this does not necessarily imply a land of peasants. On one side the product of her sheep runs and cattle farms sustained extensive woolen and leather manufactures; on another, the processing of foodstuffs was intertwined, at the most sophisticated as well as the most primitive levels, with an ubiquitous industrial mechanism.

This is the first authoritative study of an industry which in the mid-eighteenth century demanded some 55,000 retail outlets (among a population of seven or eight millions) and in the greater London area maintained one public house for every twenty-five inhabitants; whose products in 1688 were worth more than the output of meat, butter, milk and cheese combined; which in 1722 supplied some 6,000,000 barrels (192,-000,000–216,000,000 gallons), or from 32 to 36 gallons of beer per head, as against a consumption of merely one ounce of tea; which in the 1760's utilized some 25,000,000 bushels of barley; and which in 1750 contained almost 50,000 producing units. Of these last, all but 1,000 were "brewing victuallers" (selling by retail as well as brewing beer); but the 1,000 "common brewers" produced some 2,650,000 barrels as against 3,350,000 barrels for the brewers who were also innkeepers.

Mr. Mathias has chosen to devote the bulk of his attention to the London branch of the brewing industry, although his narrative by no means ignores the illuminating contrasts between metropolitan and provincial manufacture. Six chapters on production and trade, four on problems of enterprise and finance, five on the supply of raw materials, and almost fifty tables provide the reader with a splendidly comprehensive picture of the most important aspects of English brewing in all its ramifications during the eighteenth century and beyond.

For most readers the outstanding feature of the brewing industry in Georgian England will not be its importance in the economy and its overall size — these are among the facts which, when once displayed by the hard labor of other men's research, we somehow feel we had tacitly (and inarticulately) recognized all along. It will be, instead, the extent to which the *business* of brewing in London, long before economic growth had made men familiar with it in other industries, had assumed a pattern of heavy overheads, mass production, rationalization, diminishing costs, and mass marketing which we tend to assume is "typically modern."

The history of brewing had its own innovation, but the technological side of it was — in comparison with spinning, weaving or coke-smelting — negligible. The basic departure for the period under consideration was in a new product rather than a new process. In 1722 "porter" — a thick, black drink contrasting with clearer, lighter "ales" — was brewed for the first time and rapidly achieved a favored position in public taste which it did not lose for more than a century. The business significance of porter lay in the fact that not only was it dramatically suited to cheap, large-scale production (which ale was not), but that the very processes which engendered the most efficient manufacture also enhanced its quality — the cheapest product was also best. Beer, however, was a bulky, low-priced commodity; in the context of eighteenth-century transporta-

tion conditions its market had a geographical rather than a population limitation. Hence mass production could only subsist where there was a concentrated demand. This last was normally provided only by urban areas and, above all, London, where 10 per cent of England's population resided. Given London's demand, the dynamic entrepreneur could find in brewing a satisfaction for his most ardent desires for large-scale operations: porter improved in quality and steadily declined in cost with bulk handling; as a liquid it could be very easily transported within the plant by pumps or gravity; it was a product susceptible to standardization and uniformity; there was no need for a large supply of labor, with all the problems that it entailed before the nineteenth century. The road to mass production was, in fact, open to anyone with sufficient enterprise to undertake it. In the mid-eighteenth century the leading London brewer produced some 55,000 barrels; in 1796 Samuel Whitbread became the first brewer in the world to produce over 200,000 barrels in one season, and to do so he operated a plant which, together with stocks, involved a £500,000 investment and supplied some 1,500 customers, 500 of whom were public houses. But Whitbread was merely *primus inter pares*. The economies of scale, as *The Brewing Industry in England* so ably demonstrates, pointed inexorably to oligopoly: by 1800 well over 75 per cent of the strong beer consumed in London's teeming market was brewed by a handful of businesses, and over 25 per cent by the three largest.

These structural changes derived almost entirely from the side of production, for there was only a modest expansion of total demand. And it is precisely this sort of situation — where the demand schedule is constant and only the constituent elements of a stable supply schedule change — that pinpoints the insufficiencies of theoretical economics and the imperative need of empirical business studies. Mr. Mathias has seized his opportunity well. The scale of operations which emerged in the late eighteenth century, when London breweries were virtually the largest industrial plants in England, provoked a series of interconnected developments in organization, facilities, management, and finance. And in the examination and analysis of these developments, at the level of individual firm and aggregate industry, lies Mr. Mathias's most exciting contribution. These changes were involved with the race for ever-larger storage vats which culminated with Richard Meux's gargantuan 20,000-barrel container in 1795; with the use of detailed and sophisticated accounting together with an articulated departmental organization under professional executives; with the feverish application of newly invented steam power and the mechanization of the plant; with the rationalistic forethought that went into the design of and planning for the brewery; with the constant need for inventory control; with the pressure toward the control of retail markets which, itself the product of the need to protect heavy capital investments, led to an even greater demand for capital in leases, freeholds, and loans; with the elaboration of effective financial and organizational structures and techniques.

In one important respect eighteenth-century large-scale brewing was unlike the big business of the nineteenth century. As Mr. Mathias acknowledges, the industry was little involved with "the springs of na-

tional wealth or economic growth," its developments "did little to urge on the movements they depended on." Wisely, he warns us against reading the present into the past. But, as he himself illustrates, comparisons in history are anything but odious. The thoughtful reader will constantly be struck by parallels to nothing so much as the business history of petroleum. The importance of raw material costs and quality placed a premium on purchasing skills; there was the same dramatic increase in the weight of capital outlay in giant equipment, stocks of goods, and marketing facilities; the technical design of the brewery, since it involved moving a liquid between different processes, demanded the same general approach as the layout of a refinery; the pressure of competition on a giant (and therefore potentially crippling) scale provoked a similar tendency toward forward integration; the by-products of large-scale brewing (spent grains and yeast) were sufficiently important to warrant the appearance of specialized middlemen between the brewers and cattle owners, distillers, and bakers; and the sheer size of operations induced a host of ancillary specialist occupations, from the valuers and auctioneers who concentrated on public-house property to (more relevantly) the coopers and barrel-making firms who supplied the breweries' incessant demands for containers and helped solve the problem of the returns of empty barrels. On a more generalized level there are comparable echoes of bulk manufacture, storage and marketing, of mass marketing and market control, of efficiency and standardization which could only be achieved by large-scale enterprise, of the risk which inevitably accompanies heavy investment, of product competition rather than price competition. And, as is inevitable, oligopoly and the economic barriers to entry, combined with the rewards inherent in efficiency and imperfect competition, produced a wave of social and economic protest, not to mention a brewery organized by a combination of malcontents and publicans, which enjoyed a brief moment of glory as an "independent" before it succumbed to political opposition and business ineptitude.

The brewing industry, as this study so conclusively shows, stood on the threshold of modern manufacturing. In many important respects it antedated not only modern business, but also the major production changes of the Industrial Revolution. But it is well to be reminded that it was not typical of that Revolution: it was not based on any dramatic technological innovations; it faced a circumscribed market which was not susceptible to great expansion and which was not greatly increased by its new and dynamic industrial processes; and its eighteenth-century achievements were closely identified with a product (porter) which ultimately gave way under the competitive pressure of another (ale). Nevertheless, its successes derived from a combination of old and new which proved sufficiently viable to engender family firms whose continuity is unrivaled in English dynastic business.

The eighteenth-century entrepreneurs of beer — "the power-boom brewers," as they were called — were exceptional in the extent of their business achievement and the spectacular level of their social success. But the general pattern of enterprise into which they fitted was a familiar one. For their heavy capital needs above partnership investments they drew on relatives and close acquaintances, on bankers, who might be

relatives, and on raw material middlemen. Breweries even assumed the function of savings banks. For their executive personnel, even though the salaried manager was rapidly coming into his own, they relied largely on the family. Hence breweries were family businesses interlocked, by means of friends and relatives, with a close, personal world of social equals. Kinship "must be regarded as one of the most fundamental considerations in the study of entrepreneurship in industry in the eighteenth century. Cousinhood can give the clue to much success." (P. 271.) Mr. Mathias examines the broader implications of this as well as the intricate ramifications of the ties between brewing and banking groups. In addition there were the Quaker brewers, almost as important as Quaker iron masters or Quaker bankers. Here the author has some timely things to say about the Protestant ethic. To view its business significance as lying merely in its effects on the individual is an oversimplification; its real importance lay in the practical strength which familial groupings and the cohesive idea of community lent to business — "faith was nourished in a social context." (P. 289.)

The rewards of business success were impressive, and the drives which led to its achievement are an object lesson in entrepreneurial motivation. On the one hand, the great brewers channelled their accumulation of capital and prestige into landed estates and political attainments — they became peers of a social as well as an industrial world, and their attraction to the former did not destroy their efficiency in the latter. On the other hand, their business drive had an autonomous character which overlaid the profit motive with a spirit of emulation, a desire to be the greatest of their ilk, to possess the largest vats, to erect the most impressive steam engine, to be the first to brew a given number of barrels. It was Dr. Johnson's friend Henry Thrale's competitive ambition, not his desire for profit *per se*, which almost led to his business shipwreck. Johnson himself issued a magisterial warning — "If you thus persist in pouring the Profits of Trade back upon the Trade, that Trade will swell indeed like a Bubble, but like a Bubble it will be sure to burst" — and after Thrale had again overbrewed himself in 1777–1778, his wife and Johnson (in the former's words):

> endeavoured . . . to make him promise that he would never more brew a larger Quantity of Beer in one winter than eighty Thousand Barrels . . . what more would mortal Man desire than an Income of ten Thousand a Year — five to spend, and five to lay up. But my Master, mad with the noble ambition of emulating Whitbread and Calvert, . . . could scarcely be prevailed upon to promise even *this*, that he will not brew more than fourscore Thousand Barrels a Year for five years to come . . . and so the wings of *speculation* are clipped a little. (P. 269.)

It would be possible to continue indefinitely this selection from the rich storehouse of *The Brewing Industry in England*. One might demonstrate the nature of oligopolistic competition and price leadership; the springs of associational activity which lay in the need for political representation, the intimate connections with government policy and taxation, the relationships between agriculture and brewing whose importance merits a quarter of Mr. Mathias's study. But sufficient has been said to

give some idea of its content. Indeed, it may appear that this review has been overly descriptive and insufficiently critical. Yet, as was intimated at the outset, this is no ordinary book. Knowledge of its findings ought to be widely appreciated, and its merits are so outstanding that criticism (which can only really come from work as yet not undertaken) ought to wait upon some absorption of its contents. Meanwhile, the author is to be congratulated; he has both discovered and filled a significant gap in our knowledge of English history and industrial growth. Henceforth, academic sobriety will be lent to Sydney Smith's hypothesis that no two ideas were more inseparable than Beer and Britannia.

In this issue

BUSINESS HISTORY REVIEW

Borden Celebrates a Centennial

How should a company observe the venerable occasion of a Centennial birthday? Many businessmen question the dollars-and-cents wisdom of elaborate ceremonies; others have made corporate birthdays a fetish. The Borden Company formulated the unconventional answer that its Centennial should serve as a springboard for increased sales and profits.

JOE B. FRANTZ

Legal Progressivism in the 1890's

Reform spokesmen, believing that fundamental issues of social control were involved, hailed the refusal of the judiciary to intervene in the 1880's against state regulation of corporate power. The progressive triumph was short-lived. Reversing the earlier trend, the courts retreated into economic conservatism, but in so doing generated the fierce pressures that were later to explode into new outbursts of legal and social revolt.

ARNOLD M. PAUL

The Anatomy of Prejudice

Who were the originators of the Robber Baron concept? Not the injured, the poor, the faddists, the jealous, or a dispossessed elite. Rather, it was a frustrated group of observers led at last by protracted years of harsh depression to believe that the American dream of abundant prosperity for all was a hopeless myth.

JOHN TIPPLE

John Greig: Land Agent and Speculator

The process whereby enormous tracts of agricultural hinterland passed from original tract owners to individual settlers was facilitated by skilled mediators. These owner-agents incurred great risks, operated boldly on none-too-firm credit, and, sometimes, profited handsomely. Their task was to open new frontiers and sell America to Americans.

NEIL A. McNALL

Birth of an Employers' Association

The forces that originally impelled manufacturers to unite were often of fleeting impact and were soon replaced by the cohesive influence of new issues. The NAM, conceived to wage a tariff war, discovered in organized labor a common enemy for its members and traced its prosperity from the date it became a gladiator in the labor arena.

RICHARD W. GABLE

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OVER THE COUNTER

American Capitalism: A Transformation? — Robert V. Eagly; French Business History Journal; Selective Survey of Records Management Practice — The Firestone Tire & Rubber Company; Early Machine Tools and Tool Builders — Warren G. Ogden, Jr.; Business History at the Harvard Business School — Barry E. Supple; From the Editor's Desk